



Corporate Services Scrutiny Panel

Revenue Administration (Jersey) Law 201-

Witness: The Minister for Treasury and Resources

Tuesday, 8th January 2019

Panel:

Senator K.L. Moore (Chairman)

Deputy S.M. Ahier of St. Helier (Vice-Chairman)

Connétable R. Vibert of St. Peter

Deputy J.H. Perchard of St. Saviour

Witnesses:

The Minister for Treasury and Resources

Assistant Minister for Treasury and Resources

Comptroller of Taxes

Legislation and Policy Manager

[14:30]

Senator K.L. Moore (Chairman):

Welcome to this hearing in relation to the Revenue Administration (Jersey) Law 201-. We are grateful to you all for your time today. We will kick off with the usual check that, Minister, you are aware of the issues in front of you. Thank you. We will kick off then with the introductions. I am Senator Kristina Moore. I am the Chairman of the Corporate Services Scrutiny Panel.

Connétable R. Vibert of St. Peter:

Richard Vibert, Constable and member of the Corporate Services Scrutiny Panel.

Deputy S.M. Ahier of St. Helier (Vice-Chairman):

Steve Ahier, Vice-Chair, Scrutiny Panel.

Scrutiny Officer:

Simon Spottiswoode, Scrutiny Officer.

Comptroller of Taxes:

Richard Summersgill, Comptroller of Taxes.

The Minister for Treasury and Resources:

Deputy Susie Pinel, Minister for Treasury and Resources.

Assistant Minister for Treasury and Resources:

Lindsay Ash, Assistant Minister for Treasury.

Legislation and Policy Manager:

Tom Queree. I am the Legislation and Policy Manager in the Taxes Office.

Deputy J.H. Perchard of St. Saviour:

Deputy Jess Perchard, member of the Corporate Services Scrutiny Panel.

Senator K.L. Moore:

Excellent, thank you. Minister, if you could briefly outline for us the rationale and the purpose of the draft Revenue Administration Law, please.

The Minister for Treasury and Resources:

Essentially the Income Tax (Jersey) Law 1961 even then was added on to one of 90 years ago, which is out of date and is administratively virtually impossible to run with the resources that we have. Also any law that has been around for that long that has add-ons to it becomes inefficient, if not unworkable. Essentially it is what it says in the title: it is to change the administration to coincide with the advent of the new tax computer system, which obviously these 2 gentlemen will be able to explain to you, which is online to be installed this year, 2019, and to be up and running for online filing in 2020. At the moment the taxes officers have to do every single tax return individually by hand more or less, input it into the system, and obviously that is unsustainable, plus the fact that the demographics and the industries of the Island have changed phenomenally over the last 60, if not 90, years. It is archaic and we need to update it.

Senator K.L. Moore:

Does the new law introduce any new powers?

The Minister for Treasury and Resources:

It changes the powers of the Comptroller, who will obviously be able to describe his own situation on that. It becomes the Revenue Administration Law as opposed to the Tax Law. It keeps the Commissioners and the appeals situation. I think one of the major changes is that one can incur some sort of penalty for non-payment of taxes, which has not been around before. In the proposition and reports you will see the varying illustrations of countries around the world that have done this way before us - and we are very much behind in doing this - and penalties for non-compliance, but on a varying scale. Obviously if it is just a misunderstanding of what is supposed to be done, it is very different from the other end of the scale, which could be determined as fraud, then obviously the penalties vary in comparison, and interest on the debts incurred by late payment.

Senator K.L. Moore:

We will go back to what you were saying about just updating and making this more fit for purpose, for modern purposes. Part of the rationale is that this is a more user-friendly process for taxpayers, but also for the officers who are working for and on behalf of the Comptroller. You yourself, Minister, have been very outspoken about the need to have gender neutrality and to change some of the particularly archaic aspects of our tax policy, but why then have those aspects of the head of household not come into this particular law?

The Minister for Treasury and Resources:

They were part of an amendment brought by Deputy Perchard and Deputy Doublet, but they were also part of - and I think I have said quite clearly in the Assembly several times - that it does mean a change in law to do that. I could not agree more with the 2 Deputies, and probably the rest of the Assembly, that for a woman to be known as a chattel is unacceptable. However, we are just about to launch the consultation on the personal tax review, and that particular situation is heading up the addressing of whether a married couple in a similar household situation should be addressed the same as a cohabiting couple. Certainly that the woman should not be regarded as a chattel and have to have permission to know her husband's tax affairs and in fact have her husband return her tax affairs. It is all part of this consultation, which has already started on the social media front, but we are doing a wider consultation to the public which will be done in March. Is it March?

Comptroller of Taxes:

Yes, and your intention at the moment is to make proposals for the next Budget, which could be lodged in the summer as part of the Government plan.

Senator K.L. Moore:

It is going to be a busy summer for us then.

The Minister for Treasury and Resources:

It is.

Senator K.L. Moore:

Thank you for that warning, grateful for it. Okay, so it is just not quite time yet to make those changes in this law?

The Minister for Treasury and Resources:

We could have done, but both Deputies agreed that as we are doing a bigger consultation of the personal tax - this is not the general tax - that it would be premature perhaps to bring in another amendment to the law in advance of bringing in the overall proposals to be agreed by the Assembly.

Comptroller of Taxes:

It is probably worth saying that what you can expect to see over the next few years is a change in the architecture of the tax law, so the Revenue Administration Law - and this is just the first phase of it - will contain all of the administrative proposals and requirements about how the office works, Revenue Jersey, and then alongside it there will be a modernised Income Tax Law. Ultimately, the Income Tax Law of 1961 will be gradually turned into a new piece of law that deals with income tax in the modern world, so there will be a Revenue Administration Law and then an Income Tax Law and a G.S.T. (Goods and Service Tax) Law and a Stamp Duty Law. That is sort of the overall architecture that we are developing.

Deputy J.H. Perchard:

Will there not need to be changes to how tax is administered following the implementation of new tax legislation? Why are the administrative changes prior to the legislative changes?

Comptroller of Taxes:

How tax officers do their jobs is fairly standard and generic across tax types, or at least it ought to be. Because various taxes have been introduced at various times with their own administrative provisions, what you will tend to find is that the administrative provisions in the Income Tax Law are different from those of the G.S.T. Law and are different from those in Stamp Duty and Land Transaction Law and so on. What we are trying to do as part of creating Revenue Jersey is to standardise and make generic the rules of the game so that it is easier for tax officers to know what they are doing and it is easier for taxpayers to know what their rights are. For example, at the moment, if a tax officer went into a business and wanted to look at both income tax and G.S.T., there are different rules. That is not sensible.

Senator K.L. Moore:

I was literally just going to ask about the impact on businesses. I imagine from the brief description you have given there that this is a streamlining process.

Comptroller of Taxes:

Yes. I mean, as the Minister said, a lot of the provisions in the new law are effectively taking them out of the 1961 law and transposing them. We have taken the opportunity to modernise the regime, so the 1961 law, for example, relies very heavily on manual intervention by officers and it relies very heavily on going to the Royal Court if people do not do what they are required to do. That is a very old-fashioned approach in this day and age. Civil penalties, which Jersey has in many places, are much easier to operate. It does not clog up the courts with unnecessary business; it makes it easier for the Administration to operate the tax system with the least possible resource.

The Connétable of St. Peter:

Yes, I think you have covered quite a bit of my question already. Minister, I think you and Richard have. You have mentioned the ongoing review of the Island's tax system - and I think I am assuming now rather than asking - that at a later date you will have further amendments to the law, but perhaps you could say, with this tranche being introduced, what will the public notice? What will the taxpayer notice by way of changes?

Comptroller of Taxes:

There are a number of provisions that are new here. For example, this tranche of the law paves the way for online filing and assessment. Because we are hopeful that the majority of people will file online, we are relaxing the requirements for people to send evidence and paperwork with their tax return because it will not be a paper-based system anymore. The flipside of that is that we do need people to retain records, so for personal taxpayers who are not involved in business, there is a new requirement for them to hold records for a couple of years so that when they have filed online, if we do need to enquire into the tax return, those records are available. If you are a habitual tax debtor, you do not pay your taxes on time, the most important thing you will notice is that you start being charged interest on the debt, so it does not lose its real value to the people of Jersey. In terms of the civil penalties, I think the important thing there is that we do not need to drag people into court and also, as is commonplace at the moment, we do not effectively enter into slightly more bespoke and unclear arrangements with people. At the moment, as I think we said in one of our written briefings to you, we rely quite heavily on an Article in the existing law, 137, which gives us a fairly wide discretion to settle with taxpayers without taking them into court. That is not very transparent, it is not very clear, so the new civil penalty regime will make that a lot clearer for everybody, you know: "What happens if I make a mistake but it is innocent, what happens if I make a mistake and it is really down to carelessness and what happens if I get my tax return wrong and I knew very well I was getting it wrong?" It sets it out in the statute very clearly for people.

The Minister for Treasury and Resources:

It has also been - I think you will correct me on the terminology - that Jersey has sometimes been perceived to be the lender of last resort, because no interest has ever been taken from any debts that have been incurred and that has to stop, to make it across the board equity for all.

Assistant Minister for Treasury and Resources:

It is not so bad now obviously with rates where they are, but say if rates were at 10 per cent, you hang on to the money for 6 months, you get all the interest and then eventually you hand it over to the tax people. You are effectively borrowing money off the States of Jersey, so that will be closed down.

The Minister for Treasury and Resources:

That will be closed down, yes.

Deputy J.H. Perchard:

I would just like to ask you, Minister, about the Commissioners of Appeal. Please could you just briefly outline the full powers that are provided to the Commissioners and which laws these powers come under?

The Minister for Treasury and Resources:

A Commissioner has to respond to an advertisement for coming in as a Commissioner. At the moment it is unpaid, but we are looking to change that. It is somebody who obviously has to be very financially aware, but not necessarily in a financially-related business. There can be up to 12 Commissioners, and again, that has been a little bit hazy. We have just changed the terminology of it to say that it can be up to 12, not that there has to be 12, because obviously it is increasingly difficult to find people to volunteer for these appeals - which can take a lot of time and a lot of research - if there is no remuneration for it, so that is also something that has been looked at. Then whoever comes forward is interviewed and then I get recommended as to who should be appointed.

Comptroller of Taxes:

It is worth saying the Commissioners of Appeal were, I think, set up by Article 10 of the existing 1961 law, but Tom might be able to check that. I am not quite certain. But that just creates the panel of Commissioners. Various Articles within the 1961 law then say where appeal to the Commissioners is possible. Appeal to the Commissioners is free.

[14:45]

They swear an oath, which you have got in the new law. It is a free access service. It is probably worth saying that we still see the Commissioners of Appeal as possibly an interim measure. That is because the Jersey Law Commission has of course recommended the creation of a Public Services Ombudsman and also a centralised judicial tribunal approach. So in due course I think the intention would be possibly for the Commissioners to be dissolved and for a new judicial tribunal to take their place under the Jersey Law Commission's recommendations. That is unlikely to happen, I think, in the next year or 2, so we need to keep the Commissioners of Appeal in place.

Deputy J.H. Perchard:

Do you intend to start offering pay to the Commissioners of Appeal soon, given that they are likely to be dissolved within ...

Comptroller of Taxes:

I think we are proposing to offer a small emolument for every sitting the Commissioners take place in. The law allows us to create up to 12 Commissioners and 3 Commissioners are required to constitute a tribunal.

Senator K.L. Moore:

Do you have the full complement of 12 Commissioners at the moment?

Comptroller of Taxes:

No. I think we have got 4 at the moment. It has proved very difficult to secure willing volunteers and we have particular difficulty getting anyone other than men, so we ...

The Minister for Treasury and Resources:

We are on a search; it is like women politicians.

Assistant Minister for Treasury and Resources:

It is being advertised again next week to get some more.

Comptroller of Taxes:

We are about to advertise and if any of you can encourage people to go for those roles. Then, as I said, the appointment is made by the Minister for Treasury.

The Minister for Treasury and Resources:

Also the final port of call, if you like, is the Royal Courts for an appeal. The Taxes Office, especially the Comptroller side, and I have always made a big point in trying to negotiate these things, which

can often be done before people have to be put in front of an appeal court, and finally, if no agreement can be made, to the Royal Court, which is not very satisfactory for anybody, really.

Senator K.L. Moore:

How many cases go through this appeal process to the Commissioners firstly and then to the Royal Court on an annual basis?

Comptroller of Taxes:

I would think several dozen a year make it in front of the Commissioners. I do not have the exact number with me; we could let you know that. The reality is that when people make an appeal, we do our outmost to try to resolve it within the office through internal review. The vast majority of people who appeal, we manage to resolve them without going to the Commissioners. Those that then need to go to the Commissioners go to the Commissioners and I do not think we have had one in front of the Royal Court in some years.

Senator K.L. Moore:

Moving on, we have touched briefly on the role of the Comptroller. How will the role and the powers of the Comptroller of Revenue change under the law?

Comptroller of Taxes:

I think, broadly speaking, the powers do not change significantly. Most jurisdictions and most Parliaments vest the administration of the tax law and the tax system in the hands of one or more individuals. In Jersey it is the Comptroller, in Guernsey it is the Director and in the U.K. (United Kingdom) it is the Commissioners. All of the powers and all of the ability to administer and act are vested in that person or those persons and they then effectively delegate the responsibilities to frontline officers. To the extent that we are creating some new penalties and changing some of our information powers and the ability to exchange information with other departments, all of those things will, in slight ways, change the remit of the Comptroller. I think the other main thing that we are doing in this law is paving the way for Revenue Jersey and the Comptroller of Revenue to take on responsibility for the administration of more taxes. The immediate plan of course is that Social Security contributions will come under the responsibility of the Comptroller, really starting this year, but then in I.T. (information technology) terms and tax return type terms in 2020. The plan then is for the Comptroller and Revenue Jersey to start to take more responsibility for some of the administration and customs duties, impôts duty and so on.

Senator K.L. Moore:

It is part of the one government approach to centralisation.

The Minister for Treasury and Resources:

I think the idea is that an employer, for instance, would only have to submit one return a month if it was all incorporated with Social Security, which has been a long time coming. It is just being able to do it technically has been the difficulty.

Deputy S.M. Ahier:

Moving on to consultation and penalties, what consultation and public awareness have you carried out in relation to these proposals?

Comptroller of Taxes:

The formal consultation exercise was launched in March 2017 as part of the report that was published with the States Assembly on the first phase of the review of personal taxation. Alongside that we published a consultation document. There was a 3-month period for responses and we published the responses I think at the end of 2017 or early 2018. We had about 2 dozen responses and we aggregated the responses to the 30-odd questions in the consultation. . We have also tended on a regular basis to get together with the larger tax agents and with people like the C.I.O.T. (Chartered Institute of Taxation) and J.S.C.C.A. (Jersey Society of Chartered and Certified Accountants) and we have over the last 2 years really been talking continuously about the new law. In terms of the public, the previous Minister, Senator Maclean, obviously made quite a lot of this in his previous Budget statements and he launched the tax disclosure opportunity, really billing it as a last chance saloon for people to get their tax affairs in order before the new penalties came online. Then really over this last autumn, as you probably know, we have started to raise public awareness of what we are doing. We held various sessions in the town hall and various other locations and we published quite a lot of material, telling people what is on the horizon.

Deputy S.M. Ahier:

What consultation was undertaken to determine the penalty rates for inaccurate tax returns set out in part 4 of the draft law?

The Minister for Treasury and Resources:

As you say, it is all set out, and a lot of the information from other jurisdictions. I am sure you have got it in there somewhere or other, but it is quite wide-ranging. Singapore is severe.

Deputy S.M. Ahier:

Singapore is pretty draconian.

The Minister for Treasury and Resources:

Very draconian, but is hugely wide-ranging and the interest, as such, as a penalty would be decided by the Minister for Treasury, but that figure has not yet been reached because this is still a draft law. That will then be discussed afterwards, based on whether it was a commercial interest rate or whether we put it between one rate and another. So that has not been decided yet. Just going back to what the Comptroller said, that amnesty or tax disclosure was 3 months of this year.

Comptroller of Taxes:

We ran it from April to Christmas 2017 and we have been processing it during 2018. It is ...

The Minister for Treasury and Resources:

It raised about £1.6 million, with people just coming forward off their own bat, which is obviously what we would rather do than prosecute people, clearly. But we have got to make it clear that determined evasion of tax is not acceptable.

Deputy S.M. Ahier:

Which brings me on to obviously the amount of penalties that are different between the carelessness, which would be between 10 per cent and not more than 30 per cent, and deliberate, which would be 50 per cent and not more than 100 per cent of the difference. How does one determine whether somebody is careless or whether they deliberately made an error?

Comptroller of Taxes:

You obviously have to train people and guide them, but officers do it now, and they do it without this degree of transparency. When an officer is levying a penalty under Article 137, they are taking account of whether someone has been careless or evasive. Now, at one end of the spectrum that is very easy indeed, for example, if a person runs into the tax help desk on the filing deadline and sits there and fills out their tax return, there is a good chance they will have behaved carelessly. If as part of our enquiries we find that somebody has hidden a whole stream of income and we can demonstrate that they ought to have declared it and ought to have known it should be declared, then that would be evasive. There are people who quite deliberately hide streams of income from secondary or tertiary employment, that sort of thing.

Deputy S.M. Ahier:

But if somebody was to file online and they were to make an error putting figures in, would that be careless or would that be deliberate?

Comptroller of Taxes:

If they made an error putting figures in, that would be careless. The software would probably say: "Are you sure? Those figures do not square up." One of the good things about the new computer

system is it will engineer some carelessness and accidental things out of the system in a way that paper returns do not do.

The Minister for Treasury and Resources:

There is also a reciprocal agreement on the interest side, because if tax is overpaid, then it will be paid back with interest in the same way as interest would be charged on underpayment, with a bottom level of £300.

Deputy J.H. Perchard:

The draft law refers to this as being the first tranche. How many tranches do you anticipate?

Comptroller of Taxes:

For the Revenue Administration Law - Tom may want to chip in - I think at least another 2. It is rather like that old adage: "How do you eat an elephant? Piece by piece." There is quite a lot to do. There are still some things we would want to tinker with regarding the way the Commissioners of Appeal operate, for example, which we have not been able to get into this law and we will want to do more work on. I would have thought at least one or 2 more. The bigger task then is really the review of the technical tax law. The Income Tax Law is need of fairly significant rewriting. There is a lot that needs modernising in it and I know this is a big issue for the tax agents on the Island, who are very keen for us to get on with that.

Deputy J.H. Perchard:

Why was that not done first? Why this way around?

Comptroller of Taxes:

It is all down to priorities and resources. First of all, it is probably worth saying that one of the leading accountants on the Island when I first came here 4 years ago, the first thing he said to me was: "We need a Tax Management Act" which is what this is. I suppose I partly took that as a steer, but the reality is that in order to embed the new systems, we needed to make some of these legislative changes in order to pave the way for things like online filing and Revenue Jersey. It is not that we are not doing other tax technical work, of course. We have got a major review of personal taxation underway. It has been underway for 2 years. I think one of the real issues here is there is a very long list of things people would like us to sort out in terms of the tax policy and tax law. Ministers have their own shopping list; the Assembly constantly proposes reviews to taxation during the Budget debate; committees like this have things they want us to do. I think sometimes the tax agents feel a bit of a poor cousin, because the things they want us to attend to are perhaps a little less interesting to the public or politicians. For example, one thing the tax agents are very keen that we

tackle is the deductibility of interest and the tax treatment of interest. That is one of the things I think we have to get around to and sooner rather than later.

Deputy J.H. Perchard:

What are the timescales for your 3 tranches?

Legislation and Policy Manager:

I have been working with Paul Eastwood, who - as you may know - is the Deputy Comptroller.

[15:00]

We have been working last week and this week on a programme of work for this year, which is likely to be perhaps accelerated, depending on when the Budget is lodged. We are then looking towards an indicative programme for 2020 and 2021, but we are not looking much further than that, because you never really know what is around the corner, but certainly this year and next year. I suspect, as Richard said, there will be probably 3 significant tranches of the Revenue Law and then I would not be surprised if, over time, as with the Income Tax Law, it does change from year to year, but in much more minor ways. I think we can expect, this being the first, perhaps 2019 we will lodge the second major part of it and then beyond that I think there will be probably more minor amendments and additions.

Senator K.L. Moore:

During our review of the Budget, we received evidence that suggested that this law should not be introduced without a clearer timeline for the implementation of the remaining parts. Why did you decide to phase the law in this particular way?

Comptroller of Taxes:

I think it is rather like the last answer I gave. There is an issue of we have to program a computer system and we need to build in things like interest and the ability for online filing. In terms of prioritising the administrative law, this is why the things that are in this phase are there and, as I say, obviously alongside it there is a significant review of personal taxation going on, so we are also reviewing the 1961 law in respect of personal taxation.

Senator K.L. Moore:

Would you have sympathies or have you heard the same voices of people who are critical of the lack of a timeline?

Comptroller of Taxes:

I think this is the frustration I spoke of particularly in the tax community, the wider tax community, that the things that they feel are important to them tend to get pushed down the priority list. The tax deductibility of interest and how interest operates in the tax system is probably the thing they would most like us to tackle, and it has tended to take second or third place to the personal tax review and to the various other things we have needed to do. I do not disagree with the basic assertion that the whole of the tax law of Jersey needs to be rewritten. I agree with that 100 per cent. It is purely a question of priorities and resources and the extent to which you prioritise sorting out what we have against whether we create a review of a new area of taxation. For example, one of the recommendations of this committee in the previous Parliament, in the previous Assembly, was that we needed to do more work to look at environmental taxes and start thinking about fuel duties and how much we rely on them. It is really a case of where we put all those things in an order of priority.

Senator K.L. Moore:

You mentioned resources. What resource has been attributed to the changes that are going to fall out of the introduction of this law? I imagine that this will require some investment in terms of securing the correct I.T. for this to be rolled out.

Comptroller of Taxes:

Yes. The investment in the new computer system was voted through in M.T.F.P. (Medium Term Financial Plan) 2, £7.9 million originally. The provision of the new systems and all of the work attached to that has come in within that budget and we have been working ... well, the procurement on this started in 2017 and work has been going on over the last year to develop the systems. We are now in possession of the new software and we are currently testing it, so we expect this year to start using that software in earnest and that will allow us to do many things. The old system was 35 years old. People do not even have a mouse and Windows and things like that; it is all F1, F2. It is a glorified calculator. It is going to leap us forward 3 decades in terms of our ability to administer the system properly.

Deputy J.H. Perchard:

I understand what you said about priorities and I also very much welcome the meeting the Minister and I are having on Monday to discuss married women and tax. I look forward to that discussion and having this discussion in more detail. But while we are talking about priorities, is it necessary to wait for a public consultation on a priority that we already know our stance on? The Minister has agreed with the Assembly and I think we all agree about the immorality of women being chattels, as it were, to their husbands in the eyes of the tax law. That is not something that needs a consultation really, that particular aspect. Obviously the way in which you administer income tax and personal tax does, but that clearly does not. What is the rationale for not just sorting out those kinds of priorities that do not need ...

Comptroller of Taxes:

I suppose in terms of the way personal taxation operates it is an exceedingly complicated set of dependencies and linkages. I think if one could just take out that particular vexing thing and deal with it easily, we would have done it. Indeed, the Minister did attempt something on those lines, but it proved not to be quite right. When we review the personal tax system, it will have all sorts of implications for the rate at which allowances are set, the tax rate. They fundamentally could all have to change if we move to independent taxation.

Deputy J.H. Perchard:

But independent taxation already exists to some extent in the sense that you can opt for it, can you not, if you are married? You can opt for independent taxation?

Comptroller of Taxes:

You cannot opt for independent taxation. You can opt for separate assessment and that is not the same thing.

Deputy J.H. Perchard:

It is not the same thing because at the other end you are put back together, is that right?

Comptroller of Taxes:

Yes.

Deputy J.H. Perchard:

You have separate forms if you do that, but you are put back together at the end and treated in the same manner?

Comptroller of Taxes:

Yes. It is a very different thing.

The Minister for Treasury and Resources:

But there is also the question of whether you want independent taxation or whether you want taxation to be done on a household basis, which is what is done on a Social Security level. You do need that consultation to get back from people what they think would be most suitable.

Deputy J.H. Perchard:

Yes, absolutely. I completely agree with that. Thank you.

The Connétable of St. Peter:

Under the draft law, you introduce individual responsibility for record-keeping. What are the positive and negative impacts that you foresee emerging from this? I will give you a “for instance”. For instance, will people be required to keep paper records or will you accept scanned copies of documents as records?

Comptroller of Taxes:

I think, as I said earlier, the number of cases into which we enquire in any year is always a small number. We do not have very strong views, I think, on whether it has to be in a particular form. As long as people are keeping records, be those on paper or electronically, they will be perfectly acceptable. The important thing is that they can be made accessible in a readable form, and provided people can do that, then that is fine.

The Minister for Treasury and Resources:

If required.

Comptroller of Taxes:

Yes, indeed, if required.

The Minister for Treasury and Resources:

I think it is 2 years if it is a personal tax return, but if it is self-employed, business or somebody with a rented property, then papers back about 6 years.

Comptroller of Taxes:

Yes, that is right. People who are engaged in business or income from property and so on are already obliged to keep records for 6 years, which tends to be the norm. We have tried to relax as far as possible for personal taxpayers.

Deputy S.M. Ahier:

The draft law refers to the introduction of online filing of tax returns for the 2020 year of assessment. How do you plan to implement this?

Comptroller of Taxes:

At the moment the plan is to implement it in 2020 for the 2019 year of assessment, so it very much depends how well this year goes. As I say, we are now in possession of the software. We are testing it at the moment, what is called functional testing, so we are testing it at a fairly high level. We will then be doing what is called user acceptance testing where we make quite certain that it is working for all of our officers who need to interact with it. Subject to all that going well, the next

phase of work is really to develop the online element over the remainder of 2019. A good number of people in my own team and a number of people from the supplier are all sat together at the moment in Cyril Le Marquand House starting to plan that out. Provided all that goes well, we expect to launch in 2020 the online filing system through the States portal. It will be dependent on people getting a digital I.D. (identification) and we did start speaking to the public about the benefits of getting a digital I.D. during our public sessions in the autumn. When people have a digital I.D., they will be able to log on to the States portal and then access those systems.

Assistant Minister for Treasury and Resources:

I think it is worth stressing here that anybody who wants to can carry on filling them in paper form. Elderly people are perfectly able to do so, so there is no need for alarm in some quarters.

Comptroller of Taxes:

Yes, it will not be mandatory for personal taxpayers.

Senator K.L. Moore:

I think we have walked through some of the areas where their records are currently held, their paper records, of course, but from a risk management perspective what processes will be in place to protect that secure data that you will be in possession of?

Comptroller of Taxes:

The protection of the data that is held electronically? I do not think it will surprise you to hear that the Taxes Office is probably regarded in the States as the most secure part of the States in terms of data protection. Not only do our I.T. colleagues here test our systems, but we are subject to peer reviews both by the O.E.C.D. (Organisation for Economic Co-operation and Development) and by the Internal Revenue Service of the United States, who look at our security. That is partly because of our various international treaty commitments. We have to be able to demonstrate that we guard data very securely. I do not think anyone would be able to give cast-iron guarantees about data security - we always have to be vigilant - but we are designing these systems according to the appropriate standard, the I.S.O. (International Organisation for Standardisation) standard, for data security and we are peer reviewed by at least 2 international organisations as well as our own auditors and our own I.T. department.

Deputy S.M. Ahier:

With online filing about one year away, is this timescale achievable and are there any particular obstacles and challenges in implementing this?

Comptroller of Taxes:

We are still reasonably confident that we are on track to deliver to the key milestones. The programme thus far has been on time and on budget. The one thing we will not compromise on is the quality of the software, so that is why the functional testing and the user acceptance testing is so key. If we are not satisfied that it is ready for the transfer of data from the old iTax system to the new system, then we will delay, but at the moment we are on track.

Deputy S.M. Ahier:

Fingers crossed. How would it make provisions for those unable to file online?

The Minister for Treasury and Resources:

This is what we were just saying.

Deputy S.M. Ahier:

There will be similar things, yes, but ...

The Minister for Treasury and Resources:

They would stay as they were because quite a few people still are in that situation; they do not have access to I.T. Having some elderly relatives, it was the question I asked as well, so yes, that will still be accepted. It is going to take a big transition period. It is a mammoth change of 35 years' worth of the way it has been implemented beforehand.

Comptroller of Taxes:

It is probably worth saying as well we have created several focus and user groups, which include representatives from groups that are less likely to want to engage electronically for whatever reason, so we have had a number of user groups. Some of our briefing sessions were specifically targeted to different sections of the community and, as I say, we are absolutely committed to maintaining a paper-based channel into the office for those who want it.

Deputy S.M. Ahier:

But how many years would you perceive that it would be before it is totally online and that you can do away with all paper records?

Comptroller of Taxes:

I think we will get a high take-up because I think a lot of people in Jersey are impatient for the Taxes Office to get into the digital era, but there will be some people who will want to stick to paper.

[15:15]

It is also worth saying - I do not think it is a big issue in Jersey but certainly in the U.K. - there are religious groups that as a matter of religious principle do not use computers. You always have to still provide for people who have religious or philosophical objections to engaging with you digitally.

Deputy S.M. Ahier:

Individuals who file online, how long will the files be kept?

Comptroller of Taxes:

The G.D.P.R. (General Data Protection Regulation) requires all Administrations, all departments, to hold data for the minimum time required. The data retention policy in the Taxes Office is usually to retain records for about 6 years. That is linked to the law, which allows us to enquire into taxpayers' affairs, and if we do find fraud gives us the power to go back a number of tax years.

Deputy S.M. Ahier:

How about the paper records that are currently being transferred? That will be the same?

Comptroller of Taxes:

It will be the same for both, whether they are electronic or paper. The data retention requirements are the same, yes.

The Connétable of St. Peter:

Has the merger of the Social Security contributions team and the Taxes Office been completed yet and how has this gone?

The Minister for Treasury and Resources:

They are in the same building. **[Laughter]** Well, the front-facing teams are, yes.

Comptroller of Taxes:

The personal tax team has just moved on to the third floor of Philip Le Feuvre House and they are collocated with the contributions team. The next step will be to transfer their line management to me, and then the next step, which will be in the spring of 2020, will be to integrate the collection and assessment of contributions into the personal tax system. That will be particularly beneficial for small businesses who at the moment have to make separate returns.

The Connétable of St. Peter:

Have you encountered any public feedback on that aspect so far on the merger?

Comptroller of Taxes:

Not really.

Assistant Minister for Treasury and Resources:

I did the other day, funnily enough. It is not an official feedback, but I was just sitting talking to people and they said: "I went in the other day and it was great, I could do 2 things in one place." I think that was quite nice, that you are making some progress. There were 2 or 3 people then chimed in and went: "I found that as well." It does seem to be registering with one or 2 people.

The Minister for Treasury and Resources:

It has been a long time in the coming.

The Connétable of St. Peter:

Yes. Obviously you are moving records and all this and I have seen on the media that you are offering limited services due to the move. How long is that likely to last?

Comptroller of Taxes:

No longer than January. The movement of the paper files is an enormous logistical task. It is currently under way and because of the very stringent data protection requirements, pretty much files have to be numbered, logged, catalogued, put in a box, sealed and then counted out and counted in, so it is quite a long process. So it is certainly going to disrupt us for the next 2 weeks. The user testing I think is less disruptive, but we are certainly able to offer reasonable service in January, but not our full service, and then I expect us to be certainly back in operation by the end of January and certainly February.

The Minister for Treasury and Resources:

This year.

Comptroller of Taxes:

This year, yes.

Senator K.L. Moore:

Will there be any other significant changes to other pieces of legislation as a result of this draft law?

Comptroller of Taxes:

The ambition, as I said earlier, is really in the longer run completely to rewrite the 1961 Income Tax Law and make it the Income Tax Law of 2019/2020, whatever, and modernise it and address some of the perfectly valid concerns of the tax community. The G.S.T. Law is much newer, obviously, so that is far less of a priority. Aspects of the Income Tax Law, as the Minister indicated, really go back

to the 1950s Inland Revenue laws in the U.K. and before that, so there are some aspects of that that need a good look at and a thorough modernisation.

Senator K.L. Moore:

Thank you. Are there any further questions? No. Thank you very much to the Treasury team for your helpful answers this afternoon.

The Minister for Treasury and Resources:

Thank you for your very good report.

Senator K.L. Moore:

Thank you. We will close the hearing.

[15:20]