



## **Corporate Services Scrutiny Panel**

### **Independent Taxation Review**

## **Witness: The Minister for Treasury and Resources**

Wednesday, 25th August 2021

**Panel:**

Senator K.L. Moore (Chair)

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

Senator S.W. Pallett

**Panel Adviser:**

Ms. R. Benneyworth

**Witnesses:**

Deputy S.J. Pinel of St. Clement, The Minister for Treasury and Resources

Deputy L.B.E. Ash of St. Clement, Assistant Minister for Treasury and Resources

Mr. R. Summersgill, Comptroller of Revenue

Ms. F. Fraser, Deputy Director, Revenue Jersey

[11:02]

**Senator K.L. Moore (Chair):**

Good morning, and welcome to this Corporate Services Scrutiny Panel hearing in relation to our review of independent taxation, P.78. Our witness today is the Minister for Treasury and Resources. So we will start as usual with the introductions. Hopefully this will be our final remote hearing for some time but we will go through the panel members and then introduce the Minister and her team. I am Senator Kristina Moore and I am the chair of the Corporate Services Panel.

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

Deputy Steve Ahier, vice-chair.

**Senator S.W. Pallett:**

Senator Steve Pallett, member.

**Senator K.L. Moore:**

We have with us our adviser. Rebecca, if you could introduce yourself for us.

**Ms. R. Benneyworth:**

I am Rebecca Benneyworth, adviser to the panel.

**Senator K.L. Moore:**

Thank you. Minister, would you like to introduce your team?

**The Minister for Treasury and Resources:**

Thank you very much. I am Deputy Susie Pinel, Minister for Treasury and Resources.

**Assistant Minister for Treasury and Resources:**

Deputy Lindsay Ash, Assistant Minister for Treasury and Resources.

**Comptroller of Revenue:**

Richard Summersgill, Comptroller of Revenue.

**Deputy Director, Revenue Jersey:**

Fiona Fraser, Deputy Director, Domestic Tax Policy.

**Senator K.L. Moore:**

Thank you all very much. I think we are aware of the rules of engagement for today's hearing. As I said, hopefully this will be one of our last remote hearings for some time. Technical problems should be kept to a minimum, I hope. Minister, if we could just start by asking you how you believe this proposition meets the Government's own stated aims of taxation in Jersey being low, broad, simple and fair when it openly discriminates against 2 identical taxpayers by selecting a certain group to take preference over others, especially when the indication has been that there would be no disadvantage or advantage of this to electing for independent taxation?

**The Minister for Treasury and Resources:**

I have a couple of opening words, which might answer some of that with some figures, which might be helpful to the panel.

**Senator K.L. Moore:**

It would be helpful if you could answer the question please would be the usual route to conducting a hearing. You are welcome to make some comments perhaps at the end.

**The Minister for Treasury and Resources:**

It was just to help the panel with some of the facts and figures and timings, that was all, which I thought might be useful. So the question on how fair is it, it is completely unfair at the moment and it has been always, as you will be aware, Chair, one of my ambitions, personal ambitions, and I know shared by very many Members of the Assembly that we do this. It has always been, I think, labelled as being too difficult or simply not the right time to do this previously and I think it is the right time to move forward with it now, and it will be done in phases to make sure that there are not disadvantaged people that you mentioned. Some couples, I think it is about 8,300, could be worse off under independent taxation and we have now brought in an allowance or will be bringing in an allowance to compensate for this so that nobody will be disadvantaged. It will be done in a phased stage. So phases one and 2 will be the debate, and hopefully approval of the proposition in September, and then phase 3, which will be the major move for the rest of the married couples to move to independent taxation in 2024 with eventual completion in 2027. So that is the way forward, which is to make sure that nobody is disadvantaged, which I think was the nub of your question.

**Senator K.L. Moore:**

The disadvantage question is the nub of the question and it would be helpful if you could speak to that please because simply the way this is constructed as a proposition it is simply encouraging disadvantage as some taxpayers who, in making their election, will be disadvantaged by this move.

**The Minister for Treasury and Resources:**

Which is why, as I mentioned, it would have been helpful to have this in the opening remarks is that about 8,300, I think it was, married couples we identified in the first place would be financially worse off with the move to independent taxation. We have now re-estimated that with the change in circumstances to be 7,100, so considerably less than we identified in the first place. Then this allowance will be made available in 2024 and will extend for 10 years for the couples who are worse off or disadvantaged to be able to claim the allowance to compensate for any tax loss in their salaries.

**Senator K.L. Moore:**

I am not sure whether our adviser was able to hear that but I wondered whether she might like to come back with a further question on that point. It appears not, okay. We can move on for the time being. The Revenue Policy Development Board appears to have been one of the reference points in this work at the early stages however we can only find publicly available references to the policy

development board in its minutes up until February 2019 and there is absolutely nothing available to the public after that date. Could you explain why that is please, Minister?

**The Minister for Treasury and Resources:**

Can I ask the Comptroller for the details of that please?

**Senator K.L. Moore:**

Do you not chair that policy development board, Minister?

**The Minister for Treasury and Resources:**

I co-chair it with the Chief Minister but I have not had to chair it to date and I know there was a question about the minutes but it was very new in 2019 and I do not know what has happened to the subsequent minutes. I thought they had been released because I think you questioned us about this at another hearing.

**Senator K.L. Moore:**

We have indeed and we have since checked and those minutes still are not in the public domain.

**Comptroller of Revenue:**

No, that is correct, they are not. The Revenue Policy Development Board is co-chaired by the Chief Minister and the Minister for Treasury and Resources, and Revenue Jersey does provide the secretariat to it. During the COVID lockdown period the R.P.D.B. (Revenue Policy Development Board) was effectively suspended and there was a smaller group of Ministers considering various aspects of urgent tax business, including, for example, the P.Y.B. (prior year basis) changes that were made in 2020. The R.P.D.B. has met a number of times and you are correct in saying those minutes have not yet been published. That is because a decision was taken that the minutes should not be published until the matters to which they pertained were in the public domain as published government policies. So they were really dealing with tax policy in development.

**Senator K.L. Moore:**

Sorry, if I can just interrupt you for the sake of time please, Mr. Comptroller. The point is that this is a published policy and something that the Assembly will be debating next month. Therefore it seems, particularly as there is a public consultation being carried out, rather strange that those documents ... once again there is a lack of transparency from this Government.

**Comptroller of Revenue:**

As I was saying, what the Chief Minister has asked us to do is to publish the minutes but first to redact from them matters that are still policy in development. My team has just about completed that work and they should be published quite soon now.

**Senator K.L. Moore:**

When is “quite soon”? That is not exactly specific when we are all preparing for a debate that is about to happen in 3 weeks’ time?

**Comptroller of Revenue:**

I think we are ready to present them to the chairs to approve as redacted minutes and then we will be able to publish them.

**Senator K.L. Moore:**

As the co-chair, would the Minister like to explain to the public why it is deemed acceptable that such important matters as taxation, and the discussions that the Government is having with regards to any potential changes, might be deemed necessary to be withheld from the public who are interested in knowing what exactly their Government might be talking about?

**The Minister for Treasury and Resources:**

To echo what the Comptroller has just said. It has to be agreed between the 2 chairs what has to be redacted on the point of confidentiality and what can be allowed into the public domain. I mean obviously a very large part of tax is confidential to the taxpayer, so we have to be careful what we release in the public domain.

**Senator K.L. Moore:**

Okay, so you can assure us that the subject matter, albeit not the personal, but that the subject matter in terms of discussions with regard general policy will be shared with the public in a transparent way?

**The Minister for Treasury and Resources:**

Yes.

**Senator K.L. Moore:**

Okay, thank you. So if we can return to this particular proposition in relation to independent taxation, given that there is a general election next year, what reassurances can you provide taxpayers that they will not be disadvantaged in years to come?

**The Minister for Treasury and Resources:**

The whole system, and the reason, as I mentioned earlier of phasing this in, and the creation of this allowance is to absolutely ensure that nobody is disadvantaged by this move to independent taxation. It has been a long time in the coming. It is a 1928-year law in which, I have mentioned several times, women are chattels of their husbands, and in current circumstances, current life population circumstances, it is completely unacceptable that that should be allowed to continue. So it is well overdue to have this law changed and we are just introducing the allowance to make sure nobody is financially disadvantaged by the move.

**Senator K.L. Moore:**

Thank you. It is our understanding that when substantial changes to taxation are conducted that generally revenue departments conduct a pilot scheme to ensure that the changes work in practice. Could you explain why no pilot has been conducted or completed before this proposition was lodged?

**The Minister for Treasury and Resources:**

There is a pilot scheme for the 671, I think it is, couples who are separately assessed at present because of course there is a choice that you can be separately assessed from your husband.

[11:15]

So those 600 people, and the ones that want to move to independent taxation, will be the pilot scheme for the first year, which will help us steer through the extradition in the following year of another 14,000, I think, taxpayers. So there is a pilot scheme going to happen at the beginning of 2022, that will be the start of it, so that we will then get the feedback from all those people who are already being separately assessed and what they think could be done to help move forward when we have got so many more coming into the independent taxation.

**Senator K.L. Moore:**

But what will be the purpose of doing that after the Assembly has or has not voted for the introduction of this policy change?

**The Minister for Treasury and Resources:**

Can I refer to the Comptroller please, who has been working obviously on all this and the legal aspects of it all, which of course are a huge consideration?

**Comptroller of Revenue:**

I suppose the obvious point is that we have always had a pilot scheme, which is how we treat single people. The introduction of independent taxation is really about treating all people as single people

for the purposes of taxation. So in terms of understanding the dynamics of how to do that, and tax individuals as individuals, that is already well-established. What the Minister has suggested is that in the first phase of the change we take existing separately assessed couples, of which there are over 600, and invite them to take part in a pilot. Now that pilot is really about helping us further develop the design of the transitional arrangements. So it is really about how we deal with existing married people and convert them into 2 single people in the tax system. So that is why the early invitation for 600-odd couples to work with us on that is helpful. We think a pilot is absolutely the right thing to do, and I am glad the committee does. There has been a degree of criticism from one or 2 tax practitioners about giving separately assessed people early access to independent taxation but I do think it is absolutely the right thing to do, to help us develop those more detailed processes. Because as the Minister has said, in 2023, the second phase, potentially over 14,000 couples will want to enter independent taxation. Now that is either because they will be financially better off or because they will not be financially worse off. So in the first year of the phasing we are effectively closing down the old married couple's taxation system to new entrants and we are having this pilot for 600 separately assessed married couples. Then phase 2 is voluntary for about 14,500 couples. Then probably from 2024 onwards we will be in a position to bring the rest of the existing married couples into independent taxation. Now those are the ones who will need to have access to the compensatory allowance because if they did not have access to that compensatory allowance they would be financially worse off from being moved into independent taxation.

**Senator K.L. Moore:**

Thank you. If we could just talk about the consultation period, which we have briefly mentioned. Sorry, I did want to make it very clear to the Comptroller that at this stage this panel has not made any comment in relation to whether it approves or disapproves of any element of this proposition, and indeed not the pilot scheme either. That will come when we write our report and comments, so I just wanted to make that absolutely clear. But if we could move on to the consultation. We wished to ask the Minister whether she believes that adequate time has been allowed to seek views on the final proposals.

**The Minister for Treasury and Resources:**

Yes, I do think there has been very much adequate time. The first proposition of the principles, I suppose for want of a better word, was in 2019. There has been a huge amount of work done within Revenue Jersey. There have been focus groups, there has been a very constructive telephone survey done which 2,000 Jersey taxpayers over the phone stated what they thought. So there has been a lot of consultation been going on anyway. So I think there has been plenty of time and the ability for anyone with any concerns, their concerns to be addressed.

**Senator K.L. Moore:**

Do you consider that this falls within the code of conduct with regard public consultations?

**The Minister for Treasury and Resources:**

Yes.

**Senator K.L. Moore:**

That interesting, thank you.

**The Minister for Treasury and Resources:**

Why do you think it would not?

**Senator K.L. Moore:**

Simply because the code of conduct ... well, firstly, you have mentioned the prior debate on the principles but since then you have taken somewhat of a piecemeal approach, it appears, and this is stage one and there is stage 2 to come, yet no one is clear on what that will entail. Therefore the prolonged period that you have expressed there was a lack of clarity about, and there have been changes also in terms of the proposals that appear in this proposition. This was lodged on 3rd August. Obviously it is over a summer period. It is usual that a public consultation runs between 8 and preferably 12 weeks, and it does state very clearly that that should not be over a major holiday period. So we are simply interested to understand why you might be satisfied with that position. We went through a very similar process with yourself last year, I think in relation to the prior year tax, and we made it very clear that we disapproved of public consultation being conducted throughout the summer period where people were not necessarily tuned in.

**The Minister for Treasury and Resources:**

Firstly, the fact that it is a summer recess has made no difference to me whatsoever, but that is a personal thing. It is down to the law. We have to lodge a proposition with sufficient time before debating, as part of the law, and we cannot then leave it any longer than September for the debate because of the introduction of the law in 2022.

**Senator K.L. Moore:**

But, Minister, perhaps you should have considered lodging this sooner. If I could just refer you to the Government code of practice on public consultations which states: "Significant public consultation should normally last for at least 8 weeks excluding major public holiday periods, and 12 weeks where appropriate." So it is of no matter whether Government is in recess or not, it is about the public and their accessibility and ability to engage with a public consultation.

**The Minister for Treasury and Resources:**



I think the Comptroller is indicating he would like to add to that please.

**Comptroller of Revenue:**

Yes, I think we are possibly talking at cross-purposes. There were 2 major public consultations on whether to move to independent taxation and, after those, a number of focus groups. Several thousand Islanders have been engaged in this and you have seen the outputs of those consultation and engagement processes. All that is happening now is that the fruits of those consultations, the draft legislation, is being presented to the Assembly. It is being presented to the Assembly in accordance with the Standing Orders of the Assembly. The public have already spoken on several occasions; the majority want independent taxation. Quite a lot of them, and I was surprised by this, have said they want independent taxation even if it takes a bit of money out of their pockets. The Minister did not want that to happen and that is why we have taken the time to develop the compensatory allowance so that she can, I think, broadly guarantee that nobody will be out of pocket from moving to independent taxation. But the consultations have been wide and public and they are reflected in the draft law and the draft proposals that are now before you.

**Senator K.L. Moore:**

Thank you. I was simply making the point that there had been some significant changes since the initial proposal was brought forward and what we see before us at this point. The Comptroller referred to the consultation documents which, yes, we have seen the focus group results. However, those are not publicly available. Does the Minister intend to make them publicly available so that other interested parties might be able to see them?

**The Minister for Treasury and Resources:**

Yes, they can be made publicly available.

**Senator K.L. Moore:**

When would you intend to do that, Minister?

**The Minister for Treasury and Resources:**

In the next week or so. In advance of the debate obviously but it is very difficult to give specific timings on these, which are all being collated at the moment.

**Senator K.L. Moore:**

Thank you very much. We will move now to Deputy Ahier who has a series of questions about tax allowances.

**Deputy S.M. Ahier:**

Minister, the proposition appears silent or unclear in relation to how certain allowances will be allocated. Could the Comptroller confirm how joint mortgage interest relief will be proportioned?

**The Minister for Treasury and Resources:**

Sorry, was that joint mortgage relief?

**Deputy S.M. Ahier:**

Yes, joint mortgage interest relief.

**Comptroller of Revenue:**

Yes, as of now any couple can ask for joint mortgage interest relief to be apportioned and we are proposing that none of the allowances that are available, either from mortgage interest relief or for children in particular, are dealt with differently in independent taxation. Mortgage interest relief of course is being phased out and will be completely removed I think by 2026. But in the meantime, as is a possibility now, anyone who is able to make a claim effectively advises us how they want that allocating between the couple.

**Deputy S.M. Ahier:**

So there will be no strain on resources during that period?

**Comptroller of Revenue:**

No more than usual, I suspect. We might expect a little more but generally speaking that is the case.

**Deputy S.M. Ahier:**

Thank you. The Government web page on independent taxation states under the heading "Proposed independent taxation law": "You will need to agree how any child allowance is shared between you." What procedures are in place to address situations where a couple both wish to claim the benefit of the child allowances and how will such a dispute be resolved?

**Comptroller of Revenue:**

That happens now. It can happen in extreme circumstances. Generally speaking, where a married couple or the parents of children want to allocate allowances after they are separated, for example, they do usually make an agreement between themselves or presumably with their lawyers, if they are separating, that sort of thing. Then we simply enact their wishes. The default position in independent taxation that we will probably adopt is that unless taxpayers ask us otherwise we would assume a 50:50 split between the parents but I think we have to allow, as we do now, for people who wish to do that differently and in some couples there will be financial advantage from doing it differently.

[11:30]

For example, one parent is a standard rate taxpayer and not necessarily entitled to some of the allowances and the other parent is a marginal rate taxpayer and is entitled to allowances.

**Deputy S.M. Ahier:**

Given that the couple file separate returns how will Revenue Jersey check that there have been no duplication of allowances?

**Comptroller of Revenue:**

We do that now because this happens already. So we do have various cross checks and procedures to see if there is any obvious duplication of allowances.

**Deputy S.M. Ahier:**

We have received a number of responses from women who are subject to domestic abuse who have pointed out that financial coercion and control is a form of abuse facilitated in part by the current tax system. How can the Minister ensure that the introduction of independent taxation that married women, subject to financial abuse, are able to claim child tax allowances if they choose to?

**Comptroller of Revenue:**

Obviously one of the great benefits of moving to independent taxation is that it should hopefully reduce the likelihood of that sort of circumstance arising because wives and other spouses will be in entire control of their tax affairs and eligibility for allowances and so on. Clearly, if one is in a coercive relationship that is a far greater issue than the mere matter of tax allowances and tax returns. But I think it will be fair to say that independent taxation is another safeguard against women being coerced financially.

**Deputy S.M. Ahier:**

Will the Minister be providing a Child Rights Impact Assessment in relation to the effect on child tax allowances to inform the States Assembly debate?

**Comptroller of Revenue:**

I am sorry, could you repeat that, Deputy Ahier?

**Deputy S.M. Ahier:**

Sorry, it was more for the Minister but will the Minister be providing a Child Rights Impact Assessment in relation to the effect on child tax allowances to inform the States Assembly before the debate?

**The Minister for Treasury and Resources:**

That is not the intention at the moment. But there will be very clear direction of what will happen with child allowances, as the Comptroller has said. We have had a very comprehensive and welcome briefing with the Children's Commissioner and have a letter, which we can send on to Scrutiny, if they wish to see it, and it is very positive about what we are going forward as regards considering child allowances. The panel has received it; it was in July.

**Deputy S.M. Ahier:**

Right, thank you, Minister. Would the Minister agree that the presence of a child tax allowance within the tax system will remain a challenge to enabling full independent taxation and does the Minister have any plans to resolve this?

**The Minister for Treasury and Resources:**

It will not have a problem with independent taxation, as the Comptroller referred to. We already deal with child allowances across married couples anyway. We are also in talks with Social Security as to whether any child allowances would come directly under Social Security rather than be part of the tax system.

**Deputy S.M. Ahier:**

Thank you, Minister. I will pass on to Senator Pallett now, thank you.

**Senator S.W. Pallett:**

We will move on to another area, and that is the compensatory allowance. I have got several questions on this. I wonder if the Minister could explain exactly what the term "compensatory allowance" means and under what circumstances it will be available?

**The Minister for Treasury and Resources:**

Yes, the compensatory allowance will come into effect when it becomes mandatory for couples to move on to - be they civil partnerships or married tax couples - the independent tax system to ensure that nobody is worse off. It was something that was not part of the original proposition but obviously listening to focus groups and the briefings and the surveys that we have done subsequent to that, we have to ensure that of the - I think I mentioned earlier - now 7,100 couples who would potentially be worse off. Obviously anything can change in the next 3 or 4 years with a rise in inflation, with a change in circumstances of the couple but that is what we are looking at, at the moment, and they

would be given an allowance to make sure that they were not in any way, not in any penny, worse off than they were with married tax.

**Senator S.W. Pallett:**

But just to be clear, this will not be introduced until the change is mandatory?

**The Minister for Treasury and Resources:**

That is true, yes.

**Senator S.W. Pallett:**

Okay. Will the allowance be a fixed sum available to all taxpayers or will it vary according to their individual circumstances?

**The Minister for Treasury and Resources:**

It will vary. It will be bespoke. It will be catering for individual circumstances.

**Senator S.W. Pallett:**

Will the allowance have to be claimed when it becomes available?

**The Minister for Treasury and Resources:**

Yes, it will. As soon as it becomes available and the move to independent taxation is then mandatory then the allowance can be applied for and every couple will be looked at, every person individually, to see what their position is and it will be registered in their tax return anyway.

**Senator S.W. Pallett:**

So I presume any information required around claiming it will be included on tax forms in the future or guidelines provided?

**The Minister for Treasury and Resources:**

Yes, it will.

**Senator S.W. Pallett:**

Which of the spouses or civil partners will be entitled to claim for it?

**The Minister for Treasury and Resources:**

The move goes to the independent from civil partner A is generally, at the moment, the older one of the civil partnership so that when it becomes independent of course will not necessarily apply.

**Senator S.W. Pallett:**

Okay, I am not quite clear about the answer.

**The Minister for Treasury and Resources:**

Sorry, the Comptroller I think is in the chat ...

**Senator S.W. Pallett:**

If the Comptroller wants to add then, yes, please.

**Comptroller of Revenue:**

I was just going to say, as the Minister says, the compensatory allowance will effectively ensure that the married couple is no worse off in independent taxation than they were in married couples taxation. In those couples there will typically be a lower earner below the tax threshold who will not file a return anymore and there will be the main higher earner who will be above the tax threshold and who will file a tax return and pay tax. So the compensatory allowance will effectively be delivered through the tax assessment to the higher earner in the married couple. This is really to compensate the people we have identified who would be worse off in independent taxation, and those are typically couples where one spouse is either not working, for whatever reason, or has a very low income.

**Senator S.W. Pallett:**

Just to be clear again, what was the rough number of couples that included?

**Comptroller of Revenue:**

Our estimate based on the latest data is just over 7,100.

**Senator S.W. Pallett:**

Thank you. You might have answered this to some degree but will it be available to share between taxpayers, if they wish?

**Comptroller of Revenue:**

No, because by the nature of the couples who are entitled to it, one of them will not be in the tax system. Only one of them is likely to be in the tax system so the allowance, if it is going to be delivered through the tax system, will go to the person who is making the tax return.

**Senator S.W. Pallett:**

Will that apply to all taxpayers though? There must be some where both are taxpayers.

**Comptroller of Revenue:**

I do not think it does. The 7,100 will typically be characterised in the future by one who does not have to file a tax return at all and one who does. I mean they could be on the margin but this is where, in order to make it work, you have to have a degree of pragmatism at that margin.

**Senator S.W. Pallett:**

For those that are on the margin, that would be a discussion between Revenue Jersey and those taxpayers?

**Comptroller of Revenue:**

Yes, but really the only way of delivering this through the tax system is to deliver it to the person making the tax return. In the vast majority of cases, the 7,100 couples that we are discussing, one of them will be going out of the tax system altogether because they either have no income or they have an income which is below the single person's threshold.

**Senator S.W. Pallett:**

I think we may have another issue on that, but we will deal with it another time.

**The Minister for Treasury and Resources:**

The single person threshold is £16,000, which is incredibly high in comparison with other jurisdictions, and the married couple's allowance is £25,700 and so the 2 will be formed to give the same amount of allowance under the independent taxation.

**Senator S.W. Pallett:**

Thank you. How will disputes over the allowance be resolved?

**Comptroller of Revenue:**

I think at this moment we would not expect disputes in the sense that these will typically be longstanding married couples where one person is on a relatively high income and the other person is on a relatively low income. What we are doing is protecting the household income overall. In a sense, we are looking beyond the individuality of the 2 taxpayers to the household income in giving the allowance. If a lower income spouse, say, who was earning £5,000 a year is disputing the fact that the compensatory allowance has been given in total to the spouse who is earning, say, £40,000 a year, I mean if that circumstance arose it seems to me it would potentially, and I am no lawyer, not be an issue for the taxman to resolve but would be the substance of a civil dispute.

**Senator S.W. Pallett:**

Moving on. The proposals indicate that the allowance will be tapered over time. How will this be done and can you give us some idea over what period?

**Comptroller of Revenue:**

Shall I take that again? So the compensatory allowance will be dictated by a formula which, as the Minister has indicated, is effectively bespoke to each existing married couple. Within that formula we will have regard to the existing married person's allowance, which is currently £25,700 as has been mentioned, and we will be constantly comparing the couple's position against that allowance vis-à-vis where they would stand against 2 individual allowances of, at the moment, £16,000. Now, having said that, the intention is that the formula within that formula, the married couple's number of £25,700, would remain constant over a 10-year period. So what you would find is that over that 10-year period, as the single person's allowances are revalorised, if we continue with normal government policy, that it will gradually reduce the value of the allowance and eventually make it financially beneficial to be fully and independent taxation. The proposal that the Minister is making is that the compensatory allowance should be available for an initial period of 10 years.

[11:45]

Obviously things will need to be reviewed as the tax allowances are revalorised every year and as we look at annual inflation rates. So I think the Minister is proposing to build into the next tranche of legislation a review point - perhaps in 7, 8 or 9 years' time - when we will be asked to review whether the compensatory allowance should end after 10 years or should be continued for a further period of time. That will obviously be down to the data available at the time and the opinions of Ministers and the Assembly of the day.

**Senator S.W. Pallett:**

I wonder then if the department could provide the panel with some information or some detail around what that formula is and how that is going to work over a 10-year period, but I am just conscious of time and where we are with questions. If I can move on. If a couple's circumstances change, for example by one of them stopping working, will the availability of the allowance change? How will this be determined?

**Comptroller of Revenue:**

Yes, once one is eligible for the allowance, so from the date that they are moved into independent taxation, it will respond to changes in their circumstances over that 10-year period.

**Senator S.W. Pallett:**

So that will be assessed if and when that happens?



**Comptroller of Revenue:**

Yes.

**Senator S.W. Pallett:**

Does the estimated cost of introducing independent taxation of £4 million include the cost of this allowance in loss of tax revenue?

**Comptroller of Revenue:**

There is no loss of tax revenue. If you do not give the allowance there is a significant gain in tax revenue, so the allowance is the payback of that potential additional revenue, because as was said at the outset of this enterprise, if you did introduce independent taxation overnight, all other things being equal, the Exchequer would receive net income of over £10 million, was the last estimate. So the compensatory allowance makes sure that the Exchequer does not receive extra revenue, because the Minister did not want to be taking extra taxes from people who on the whole are at the lower end of the income spectrum.

**Senator S.W. Pallett:**

Okay, I think you have answered it, but just to clarify, so in terms of how this compensatory scheme will work, how will it be financed, just to be clear on that?

**Comptroller of Revenue:**

I suppose there are 2 points there. In terms of Exchequer revenue, this makes sure that the Exchequer impact is neutral and that we do not get extra tax out of moving to independent taxation. There is a cost. Some people, typically couples where both people have a higher income, will potentially benefit financially from independent taxation, so that there is some cost to the Exchequer, which is currently estimated at around £4 million. In terms of the actual costs of implementing the change, the administration costs, we are currently estimating those in the region of £1.25 to £1.5 million. That is really to make all of the necessary computer and administrative changes. On top of that, there is probably ... as you know already, the Minister has approved an increase in Revenue Jersey's staffing for the next few years. That is really to help us clear the backlogs that arose during COVID. It is to help us manage the P.Y.B. changes. All of those changes have been made successfully in the computer systems, but we still have to manage the repayment scheme, which is obviously going to run for several decades, and then also to help us to manage the shift to independent taxation, because I think in particular we are bound to get a lot of enquiries in the future from people as we make these changes about what it means for them.

**Senator S.W. Pallett:**

Thank you. I just note in the chat our adviser has asked if she could ask a question, so if I pass over to Rebecca, please.

**Ms. R. Benneyworth:**

Thank you very much. I think this is for the Comptroller. Just following your description of the compensatory allowance, which is very clear how it is intended to work, you have said it will look at the married allowance of £25,700, but in fact in a married couple where both are working, although let us say the wife is working part-time with low income, you have also got the wife's income allowance, so will the compensatory allowance just be based on the £25,700 or will it be based on the higher figure that would be available to them if the wife was also working, but might be earning less than £16,000? So that is where you would get a negative effect.

**Comptroller of Revenue:**

Yes, the formula does take account of the impact of the second earner's allowance. I mean, it is probably worth saying what the second earner's allowance does at the moment, that it does put a married working couple in the same position as a cohabiting working couple. That was one of the unfairnesses that was removed a few years ago.

**Ms. R. Benneyworth:**

Yes, understood. Thank you very much.

**Senator S.W. Pallett:**

Okay, then I will pass back to the chair for the next set of questions.

**Senator K.L. Moore:**

Thank you. Minister, could you just take us through the communications plan for these changes and highlight how the 3 phases of the process will be communicated to taxpayers so that they understand the implications for them personally?

**The Minister for Treasury and Resources:**

Thank you, Chair. There is a timeline. Obviously we have got today, then on 14th September or the week starting of the States Assembly will be the debate of that week or something. Then there is a variety of social and printed media, which will be used to inform the Islanders of the changes and where they can find out more information, and a new How Tax Works calculator with the independent taxation comparison, the function of that will be promoted. We are also planning - which we were hoping to do sooner, before the debate, but it has not been possible with so many people away - face-to-face roadshows in the Parishes so that people can come to those, but with people being away and also with the COVID restrictions of course, so are hoping that we can do

those to help people and answer their questions on a face-to-face basis, but obviously that will depend on what is permitted via gatherings.

**Senator K.L. Moore:**

Thank you. Minister, there is quite an element of confusion from the results that we have seen of the focus groups and a lack of understanding from many quarters as to how the changes will affect them personally. If we can give you an illustration, one person who has written in a submission to us has said: "How will this affect families where only one parent works while the other stays home to care for the children? Will they have to be paid by the other parent?" How will your communication strategy assist in addressing the questions and the confusion that seems to abound with regard to how you are going to implement these changes?

**The Minister for Treasury and Resources:**

I do not think, Chair, that confusion abounds. I mean, we have had, as we mentioned earlier, and so did the Comptroller, many focus groups and consultations on what people's personal concerns are. That is why we are hoping - as I say, gatherings permitting - to be able to do this on a Parish level with only a very few people in the pilot scheme so that people's fears or concerns can be allayed during those consultations, gatherings, meetings. But if there has been any confusion, it has been sent to Revenue Jersey and there has not been a vast amount of confusion over it. I think we have addressed most of people's concerns.

**Senator K.L. Moore:**

Thank you. I will pass over to Deputy Ahier now for his questions on the phases one and 2.

**Deputy S.M. Ahier:**

Thank you, Chair. The time allowed for couples who have been separately taxed during 2020 to elect for early adoption of independent taxation is very short, a period - presuming the proposition is passed in September - of 6 weeks and 3 days. How will those eligible to make an election for phase one be made aware of this and how will they be informed of the likely change in their tax liability in order for them to decide whether to make the election?

**The Minister for Treasury and Resources:**

I can just start that and then I will hand over to the Comptroller for the details, but they will be consulted as part of phase one to come into effect in phase 2, so we can adapt as needed for a larger group before the phase 2. As we mentioned before, they are going to be a sort of pilot group of separately taxed or separately assessed taxation. I will hand over to the Comptroller.

**Comptroller of Revenue:**

Yes, assuming the Assembly supports the legislation, we are geared up immediately to write to the 600-odd separately assessed couples in Jersey asking them if they would like to form a pilot group to be independently taxed in 2022. I agree that 5 weeks is a short period to take that decision. That is unfortunate. That is really down to the dynamics of when the law will be passed and whether we get your authority to include those separately assessed people in phase one. The reason we picked this group is because it is small, it is about 1,300-odd individuals, and most of the people in this group will be philosophically inclined towards independent taxation. They are people who historically have wanted to file separate tax returns in their own right, so we think quite a few of them are likely to be interested in accepting our invitation. It is just an invitation; it is purely voluntary. I imagine that they will still only really want to do it - or most of them will only really want to do it - if it is financially advantageous to do so. We will be giving them sufficient information to help them work that out. I do not think it is too complicated, because as a married couple, they get an allowance of £25,700. As your adviser just mentioned, if they are both working with relatively high incomes, they get an additional allowance, so they should be no worse off in independent taxation, but some of them could be better off in independent taxation, so we are hoping we will get a reasonable take-up from that group, even though it is only, as you say, a 5 or 6-week window. Then what we will do in the background is set them up to be independent taxpayers from January of 2022. What we will then be doing is we will be testing and trialling all of our communications and processes with that group, which will get us into a good place to be able to duplicate that in 2023 for that potentially larger group of people in phase 2.

**Deputy S.M. Ahier:**

Thank you. Does the Minister believe that those entitled to elect can be sufficiently informed to make the decision in such a short period?

**The Minister for Treasury and Resources:**

Yes. I think to reiterate what the Comptroller said, yes, I think they do, because people have known for a long time this has been coming.

[12:00]

It has been 2 years in the process and ironing out a lot of stuff in the meantime, but the 671 couples that the Comptroller alluded to are already on separate assessment and taxation. They have already chosen to do this, so I do not think that there is a timeframe matter in it at all and there will be plenty of information and guidance to them to carry on doing what they are already doing.

**Deputy S.M. Ahier:**

Given that it is important for the success of these changes to have an adequate cohort of those electing for independent taxation for 2022 to allow the development of the systems and processes for the remaining couples to move to independent taxation in subsequent years, does the Minister believe that enough time has been allowed to bring sufficient numbers into the pilot?

**The Minister for Treasury and Resources:**

I think the pilot of course is voluntary, but the numbers were based on, as I have just mentioned, the 671 couples - that is 1,342 individuals - to go forward, and they are doing it already I think is the emphasis on that, and to see with the move to the legislation that will be agreed by the Assembly, one hopes, in September if they feel that there are any improvements that could be made to that in the year before the move becomes much wider spread.

**Deputy S.M. Ahier:**

How will eligible couples be informed of the need to act quickly if the proposition is adopted? Is there a target number of couples which is regarded as sufficient to test and develop the process?

**The Minister for Treasury and Resources:**

Yes. This is why we are introducing the pilot scheme, as such, if that is what it wants to be called, because we do think there are a sufficient number of couples who are already in that position in order to ascertain what they would consider would be helpful to us moving forward with it becoming more mandatory. I do not know if the Comptroller wants to add any more detail to that.

**Comptroller of Revenue:**

Well, I mean, we firmly believe that having this pilot is valuable and we think it clearly does have to be limited in some way. We think this is the fairest and clearest way of inviting people to form the pilot from those, as I have said before, who are historically doing separate filing and who historically have shown a preference and inclination for separate filing. We do not really have a target number. As I said, I suspect a large number of these people will financially benefit from independent taxation and that might see us get a good take-up rate, but there will be some people who are separately assessed who may not financially benefit from independent taxation and may therefore choose not to be in the pilot. I mean, if, for example, the committee did decide against the proposition of a pilot and did not think it was a good idea, then you would essentially be supporting a big bang approach and we would just have to plan for that as we can. Sometimes we do have to do that. I mean, we did it with the P.Y.B. changes obviously, but ideally this is best practice, in my view, that we do have a small pilot. It is largely about helping us with communications and processes. It is not about the big issue of whether it is feasible, because as I say, thousands of people in Jersey are taxed independently already effectively by virtue of being single people.

**Senator K.L. Moore:**

What alternative plans are there if insufficient numbers decide to elect?

**Comptroller of Revenue:**

I think in truth, if very few of the separately assessed population did not want to participate in a pilot, we would just have to continue to work with focus groups to do the very best job in developing our communications and processes. Focus groups have been very helpful and of course the last set of focus groups were very largely focusing on the communications about independent taxation, and they have helped us develop the set of communications, tools and techniques that the Minister described to you, including the How Tax Works calculator that we are going to be launching, which will help people make decisions about whether going into independent taxation early is good for them and whether they are going to be likely to benefit from a compensatory allowance and so on.

**Deputy S.M. Ahier:**

Thank you. I will just pass to Senator Pallett. He has a question.

**Senator S.W. Pallett:**

Yes, just briefly, you mentioned communication and obviously communication is key in most governments. This pilot group, the 600, 700 couples, are pretty key to the pilot. What are you going to do over and above just the general communication that is going to go out around this, if it is approved, to try to encourage these people to take part? You mentioned there is a potential financial benefit to them, but they need to know about that financial benefit and how they can engage and take part in the process. What over and above the general communication can you do to ensure that these couples are going to get involved?

**Comptroller of Revenue:**

We will be writing individually to every single couple and encouraging them and we will be pointing them to the material that will help them understand if it is financially beneficial for them in particular. As I say, these 600-odd couples, that number does not really change year on year. Historically there have been 600-odd couples who have elected for a separate assessment every year for many decades. Yes, they are philosophically inclined towards this, so we hope we will get a high take-up. We will target specific letters and invitations to them. We have been talking about whether some outbound telephony to encourage them further or to talk to them through a helpline and so on might be needed, but as Deputy Ahier pointed out, we really do only have a 5-week window to engage them, so we will get the letters out and then depending ... that is week one, and then week 2 we will probably wait to see if we get a lot of responses, and probably going into week 3 we will consider whether it is appropriate to phone people and encourage them and see if we can help them with any

specific questions. I think the letter - I am fairly certain - will give them a number where they can contact us if they do have specific questions they want to ask us.

**Senator S.W. Pallett:**

Is that something that you have prepared yet? Is there something the panel could have a look at?

**Comptroller of Revenue:**

Well, the communications are almost ready, I think, and some may even be with our printers. Yes, I mean, there is no problem letting you see them, and in fact the material you had most recently on what the focus groups were telling us was largely what the focus group were telling us about our draft communications. Yes, a lot of the focus of the last set of focus groups was on how we communicate this to people and how we get them interested.

**Senator S.W. Pallett:**

Thank you.

**Senator K.L. Moore:**

May I just come in there with a follow-up question to that? Because one of the findings of those focus groups was that the publications were overly wordy, there were not enough infographics and it was very hard to understand, so have they been amended and changed since the findings of those focus groups were made clear to you?

**Comptroller of Revenue:**

Yes, they have.

**Senator K.L. Moore:**

Thank you. Back to Deputy Ahier.

**Deputy S.M. Ahier:**

Thank you, Chair. Some couples will see a reduction in their tax bill as a result of independent taxation. Does the Minister regard it as fair that 2 identical couples might bear different tax liabilities in 2022 as a result of failing to elect for separate assessments in 2020, making them ineligible for phase one?

**The Minister for Treasury and Resources:**

Sorry, phase one, it seems to be going back to the same question, Deputy. The rationale for including a subset of separately assessed spouses in phase one is to provide a small and manageable population of existing married couples' taxation people to work with us and test the

policies and procedures. I am sorry, this is probably sounding a bit repetitive, but that is what will be used in phase 2 when we have done those tests on the pilot scheme in phase one and then we can then adapt it as needed.

**Deputy S.M. Ahier:**

Sorry, Minister, I think what I was going for was do you regard it as fair.

**The Minister for Treasury and Resources:**

Yes.

**Deputy S.M. Ahier:**

Fine, thank you.

**The Minister for Treasury and Resources:**

Yes, I do not see why it should not be. I mean, this process, the whole idea of it is leading to it being fair and equitable across the population. We are talking now about the adjustment of a 100 year-old law, so that is the reason for pushing this forward, is so that we can make it equitable across the population. So in answer, yes, I think it is very fair. I do not know if the Comptroller wants to add any ...

**Senator K.L. Moore:**

If I might come in there. I think as the Deputy identified in his question, some couples will benefit and that will be a cost to the public purse of £4 million every year. First, does the Minister consider that that is a fair cost to the public of Jersey, and second, does she consider that it is fair to perhaps couples who are worse off than those who are better off are going to benefit to the detriment of the general public purse?

**The Minister for Treasury and Resources:**

No, I do not think so, Chair. It is not to the detriment of the public purse and I do not think it is an ongoing cost, it is an introductory cost. As the Comptroller explained earlier on, that it is revenue that would have been coming in that is now paid for by the compensatory allowance, so it works out on a fairly level playing field.

**Senator K.L. Moore:**

£4 million, Minister, is still £4 million and can pay for many services that could be of benefit to people, particularly let us consider those who have lost out due to COVID, children who have missed days and weeks of their education. That could be put to much greater use.



**The Minister for Treasury and Resources:**

The change in any legislation is going to be costly. As I said in answer to Deputy Ahier's question, I think it was, that this is 100 years old, this law, and it needs to change, then from the point of view of future revenue will be much more important into the Tax Department or Revenue Jersey once we have changed this law. I do not know if the Comptroller wants to ...

**Comptroller of Revenue:**

There are a number of issues here and I know that one particular tax practitioner in Jersey has said quite a lot about the unfairness of having a pilot group of existing separately assessed taxpayers. As the Minister has said, the existing system is archaic. It is not compatible with international norms of human rights. It has to go. It is being replaced with something which is internationally recognised as fair and equitable and non-discriminatory. It is typical in moving from one big tax system to another that there has to be a transitional period and all of the case law in all of the jurisdictions tells us that phasing and grandfathering can have a discriminatory aspect, but that that is legal and acceptable if the end point is ultimately fair, which I think the vast majority of Jersey's population believe.

**Senator K.L. Moore:**

Sorry, can I ask you ...

**Comptroller of Revenue:**

It is almost an inescapable aspect of independent taxation that some people will be financially better off from it. Now, if the Assembly wish to tackle that, that is obviously a separate issue. It cannot be tackled through the delivery of independent taxation, in my view.

**Senator K.L. Moore:**

Thank you. Comptroller, could you tell us which international authority has considered the proposals that are being brought to the Assembly and deemed them to be fair and equitable, please?

**Comptroller of Revenue:**

I am afraid I cannot go into detail here, but Senator Vallois, at the last hearing where this was raised, brought up the issue of C.E.D.A.W. (Convention on the Elimination of All Forms of Discrimination against Women) and I cannot quite remember what it stands for, but somebody is trying to find it.

[12:15]

She was asking whether the Minister thought our existing married couples' taxation regime was satisfactory and the Minister said she did not and that was one of the many reasons for moving to independent taxation. So it is ...

**Senator K.L. Moore:**

But it has not been assessed by an internationally recognised authority on taxation?

**Comptroller of Revenue:**

Jersey has recently committed to joining the C.E.D.A.W. convention, and I believe as part of that commitment due consideration has been taken to the existence of the plans to move to independent taxation. In order to be fully compatible with C.E.D.A.W., jurisdictions across the world do tend to support independent taxation, yes.

**Senator K.L. Moore:**

Yes, but my question was in relation to the details of this proposal that you are bringing.

**Comptroller of Revenue:**

Oh no, indeed, this proposal is purely for Jersey. We have not subjected it to any international peer review.

**Senator K.L. Moore:**

Thank you very much. Back to Deputy Ahier.

**Deputy S.M. Ahier:**

Thank you, Chair. In fairness to all, should phase one election be extended to all married couples and civil partners who wish to be taxed independently because it is to their advantage?

**Comptroller of Revenue:**

It is just not possible to do that for January of 2022, I am afraid. That would delay us by a full year. I think it is absolutely essential that we press ahead with phase one because that stops a growth in the population of people subject to married couples' taxation. The pilot, as I say, is in my view very valuable and very important but it does have to be of a manageable size. We could not possibly deal with potentially the 14,000 couples next year, really for the reasons you set out earlier in terms of timescales. So I think the phasing is right. The only real issue is whether it is right to allow people who financially benefit access in phase 2 or whether we could combine phases 2 and 3. But we do need to think about the manageability for Revenue Jersey, so having 3 phases, with the mandatory phase being the final phase when the compensatory allowance will be ready and will be installed in our computer systems I think is the only viable way forward.

**Deputy S.M. Ahier:**

Thank you. Is the Minister confident that the guidance material for those affected by phase 2 of the proposals will be sufficiently clear so that Islanders understand the full implications of making an election for the early adoption of independent taxation, and could the Minister please talk us through how that phase of the changes will happen in practice?

**The Minister for Treasury and Resources:**

Yes, I think the guidance will be very comprehensive. We will continue to have focus groups, and I think in answer to a question from the Chair earlier there will be the meetings at the Parish Halls providing gatherings can still go ahead. So I think there is plenty of information and clear structure in the guidance.

**Deputy S.M. Ahier:**

Is the new online tool ready for couples to use to check the change in their tax liability as a result of electing for independent taxation, and could the Minister make the tool available to us to allow us see it in action as part of the panel's review?

**The Minister for Treasury and Resources:**

We will when it is ready, Deputy. It is not ready at the moment.

**Deputy S.M. Ahier:**

Do you know how long it will be before it is ready?

**The Minister for Treasury and Resources:**

I would have to check with officers, I do not know, but obviously in advance of the end of the year when it has got to come into effect in 2022. So it will be within the next few weeks but I cannot give you a timeline; I do not know.

**Deputy S.M. Ahier:**

The election to be taxed independently is in both cases - both phase one and phase 2 - a joint election by the couple. This means that if spouse A is exercising coercive control over spouse B they can prevent spouse B from taking control of their financial affairs by refusing to make the election. Could the Minister please provide comment to the panel on this position?

**The Minister for Treasury and Resources:**

Yes, it is quite clear in the guidance that instead of - I must get this the right way around - one column in a tax return being filled in by one person there will be 2 columns filled in by obviously the

independence couple, be they married or civil partnership. So it will be quite clear as to each partner filling in their own details, which would then be submitted by themselves, and they are responsible then for their own information and their own tax filing.

**Deputy S.M. Ahier:**

Thank you. I will pass on to Senator Pallett now.

**Senator S.W. Pallett:**

Just a comment or a question around some of the questions that Deputy Ahier has asked. The Comptroller has mentioned the manageability of the process for Revenue Jersey, but I have to question whether that should be the driving force for change. Surely it must be around fairness. I know there needs to be a pragmatic approach but the manageability is something that should have been thought about before the process was entered into. I just wonder whether you would like to comment on that and whether the driving force should be fairness.

**The Minister for Treasury and Resources:**

I think, Senator, the driving force is fairness. I mean, this is what we keep - or certainly I do on a personal level - applying to every discussion I have about independent taxation is the system is not fair in any way as it stands at the moment, so it is a drive towards fairness. The manageability of it we have catered for and will cater for within Revenue Jersey because obviously it is a huge change, any tax legislation is a mammoth change, and we are making sure that Revenue Jersey have the resources in order to deal with that. But from a fairness point of view, I have no doubt that it is a move towards equity and fairness.

**Senator S.W. Pallett:**

Okay, thank you. Moving on a little bit about what might happen after the change. Although we understand new tax identification numbers are being implemented, we understand from a written submission that some married women are still dealt with under their husband's tax reference. Will married women and civil partners, previously regarded as spouse B, be issued with new tax identification numbers?

**The Minister for Treasury and Resources:**

Yes, they will. When it comes to the whole system being mandatory, of course it is not all going to happen in January 2022, it will be a phased-in approach because it is the only way that one can make an enormous change such as this. So as we have alluded to several times, there will be the control group and, yes, everybody will have independent taxation numbers.

**Comptroller of Revenue:**

It is probably just worth adding to that, that we issued every single person in Jersey with a tax identification number I think about 3 years ago, so everyone does have it already and it is used for certain purposes already. What your correspondent is probably referring to is that at the moment there is also another tax reference which does link the couple, and for some years yet we will need to link ... well we will need to link couples in the tax system for as long as we have got child-related allowances and compensatory allowance because there is a co-dependence on the incomes of the couple that affects some of those allowances. But everyone already does have a tax identification number of their own and obviously since 2021 everyone in Jersey can access their tax records without the permission of their spouse. That was one of the changes the Minister made in the last budget.

**Senator S.W. Pallett:**

So am I right or wrong saying that this is not around new tax identification numbers; this is merely ensuring that individuals are using their own tax identification numbers?

**Comptroller of Revenue:**

Yes, indeed. I mean, we had to do it for other purposes in any event but everyone in Jersey now has 10 digits, 3, 3 and 4, a tax identification number which is to an international standard. As I say, we were rolling that out certainly before the new systems were introduced in May 2019 and they are all built into the revenue management systems now.

**Senator S.W. Pallett:**

Thank you. For some couples the advent of independent taxation will mean that some individuals no longer need to pay tax as their exempt amount will exceed their income. We have been advised that once they have filed their first tax return after independent taxation has commenced these individuals will no longer be issued with a tax return. However, we are concerned that some individuals may be left in a position that with increases in income they accrue significant tax debt without being aware of it. I just would be interested; how does the Minister envisage this being dealt with?

**Comptroller of Revenue:**

If I could handle that one, Senator. This is not at all unusual. In most countries if you are below the tax threshold you do not have to file a return, and indeed if most of your income is paid through a system like I.T.I.S. (income tax instalment scheme) or pay as you earn you often do not have to file a tax return even if your income is above the tax thresholds. Certainly one of the things we have been doing over the last 6 or 7 years is gradually reducing the obligation on every individual in Jersey to file a tax return. So, for example, a lot of pensioners who have a fixed income and we know it is below the tax threshold, we have stopped asking them to file a tax return every year. The general

expectation in the tax law is that if people do become liable to taxation at a future date because their income has increased, because they have had a large inheritance or have got income on investments and so on, that the obligation is on them to notify their liability to the Tax Department, and that is true in most countries. What we can do in Jersey, because there is custom and practice of most people getting a tax return most years, is probably get much smarter at reminding people what the tax thresholds are and that if they have income above those levels they should declare it. This will become increasingly easier to do in the future with our new revenue management systems and as we develop digital by default approaches. We can increasingly send texts to phones; we can increasingly email people, rather than the rather traditional method of putting a great big notice in the *J.E.P. (Jersey Evening Post)* and that sort of thing. So I think for the future we will need to get smarter at nudge techniques, at prompting people who do not regularly file a tax return but whose income might increase it will be an issue. But you are correct; when we move to independent taxation a great many people who are currently in married couples' taxation will no longer need to file a tax return at all, either because they have no income or they have a very low income. That is where their spouse will probably potentially be entitled to the compensatory allowance.

**Senator S.W. Pallett:**

The obligation to declare I think we all understand, but I think in the world of OneGov, which I think we all are now living in, in terms of highlighting and increasing earnings, I just wonder whether might an increase in social security contributions, which fall off the back of increased earnings, be linked through to Revenue Jersey thus triggering the issue of a tax return at the appropriate point?

**Comptroller of Revenue:**

Well, contributions is now increasingly managed by Revenue Jersey, the contributions team is in Revenue Jersey and we will get that data through the combined employer returns. So from January next year employers will be sending a combined return to Revenue Jersey which will include contributions data and income data for tax purposes obviously. So even now we do know through I.T.I.S. data of people who are hovering at the threshold and through the contributions data we will have a good handle on self-employed people who are hovering around the tax threshold, so that is probably covered by existing data flows.

[12:30]

I think the more interesting issue will be the people who are not paying contributions legitimately, who are not in the I.T.I.S. system, and how we make sure that they are aware of the obligation.

**Senator S.W. Pallett:**

Going back to the question; that is something that you already do to some extent?

**Comptroller of Revenue:**

Yes.

**Senator S.W. Pallett:**

I think you may have answered this to some degree but how else might Revenue Jersey ensure that taxpayers are able to meet their obligations within the worry of an unanticipated tax debt?

**Comptroller of Revenue:**

Well, as I say, historically the tax law requires the Comptroller to issue one notice a year telling people it is time to file a tax return, and you will still see that in the *J.E.P.*, it pretty much covers a whole page. It is a very old-fashioned approach and one of the things we will aim to do as part of the revenue transformation programme is, as I say, increasingly through behavioural insight and nudge techniques try to get the populations who are not fulfilling their obligations or who are not even aware of their obligations. So that is a work in progress. We do increasingly spend more money on marketing techniques, engaging focus groups - as we have been discussing - to make sure that our communications do reach people in every sense of that word, because I think a lot of our historic tax communications are rather fusty and dusty.

**Senator S.W. Pallett:**

Thank you. Time to move back to the chair for the next section.

**Senator K.L. Moore:**

Thank you very much, and noting the time I simply have one question. We have touched on already the need for additional resource in Revenue Jersey to cope with this change and the additional 22,000 taxpayers that will come online. Equally, we would like to simply know how many more people are being brought in, how that fits with the migration policy of the Government, and what training is being offered so that the team as a whole at Revenue Jersey will be able to cope with the many questions that members of the public will have.

**The Minister for Treasury and Resources:**

Yes, thank you for that question, Chair, and, yes, there have been I think 12 positions filled, because there were quite a few vacancies before. The whole system is up and running on the new computer system, which of course was a big changeover as well, apart from the changes to legislation, so certainly complacent would not be the word, but I think quite convinced that we will be able to handle - as you quite rightly say - an increase in the questions to helplines and questions to the department. But as the Comptroller alluded to earlier, there will be a big mail drop on all of this, on the guidance

side of it, and the new forms will be available in advance of January next year. I will hand over to the Comptroller if he wants to put over any more detailed official levels.

**Senator K.L. Moore:**

Perhaps if briefly he could just outline the training that is being offered. That would be very helpful.

**Comptroller of Revenue:**

First of all on the migration and licensing point; the 12 people we have recruited were happily all local people. I think I said at a previous hearing very sadly some of those people have been displaced from the finance sector during the COVID lockdown and so on. But we have benefited from that and we have got some very good people in place, and consequently the training programmes are not necessarily as lengthy as the training programmes of some of the people we bring in fresh from the population. So the training at the moment has been very heavily focused on tasks to make sure that they are up and running as quickly as possible to cope with main areas of work in the office. But as I think I have said before, the training and professional development of our staff has been an important aspect of our revenue transformation programme. We have, as you know, increased budgets on training and professional development and we are about to launch a Jersey tax professional qualification which will be available both to our own revenue officers and indeed in the longer run we are proposing to make it available to people in the tax practitioner community, and that is going to be a fully accredited training programme through Highlands College and a London educational authority. So I think we are doing all the right things.

**Senator K.L. Moore:**

Thank you. I will pass over now to our adviser, Rebecca Benneyworth, if she has some final questions.

**Ms. R. Benneyworth:**

Thank you very much, Chair. Final question just to ask the Minister to confirm. I have read a lot of the earlier proposals leading up to where we are now and for quite some time there was an element of joint and several liability between married couple and civil partners featuring in the discussions and in some of the proposals. I have seen reference to the fact that the Minister is not going ahead with that. I would just like the Minister if she could to confirm that is definitely off the table and will not form part of ... obviously we will have some more legislation later on, and there is a plan to bring that back on the table at the next phase.

**The Minister for Treasury and Resources:**

Thank you, Ms. Benneyworth, there is no plan to do that. It will not be required. I do not know if the Comptroller wants to elaborate on that, but that is my understanding that we will not need it.



**Comptroller of Revenue:**

No, there were 3 proposals to reform married couples' taxation, the first of which was implemented last year which is to give access to information. The other proposals, it was decided we did not need to proceed with them because we had identified a way of getting to independent taxation much more quickly than originally envisaged. So the Minister's preference is to get to independent taxation for everyone as quickly as possible and, therefore, we reprioritised work on the development of independent taxation rather than attempting to do any more to modernise married couples' taxation.

**Ms. R. Benneyworth:**

That is great. Thank you very much.

**Senator K.L. Moore:**

Thank you all for your time this afternoon. We are very grateful for your answers and look forward to receiving both the copies of the mailshot in advance and the new computer programme that has been described during the hearing. With that, noting the time, I will close the hearing and thank you all very much for your attendance.

[12:38]