

**Treasury & Resources**  
**Comptroller of Income Tax**  
PO Box 56, Cyril Le Marquand House, The Parade,  
St Helier, Jersey, JE4 8UL  
Tel: +44 (0)1534 603305  
Fax: +44 (0)1534 789142



8th June, 2005

Deputy R Duhamel  
Shadow Scrutiny Panel Chairman  
Scrutiny Office  
Royal Court House  
St Helier  
JE1 1DD

Our Ref: MC  
Your Ref:

Dear Deputy Duhamel

**SHADOW SCRUTINY PANEL  
GOODS AND SERVICES TAX**

Thank you for your letter dated 20<sup>th</sup> May, 2005.

I am pleased to respond as follows:

**To question the data used in the reports used to support the introduction of the GST and to request further data.**

This process was managed by others and my role was not central or important to the process so it seems to me that I am not the best person to answer this particular question. I think it would be best if you referred this question to Crown Agents and the Customs and Immigration Department. It seems to me that I also have to give you this same answer for the final bullet point relating to GST on the second page of your letter.

**To assess the efficiency of management of existing taxes in the States of Jersey.**

I am pleased to report, on the basis of the evidence which I outline below, that the efficiency of management of existing direct taxes in the States of Jersey is, in my opinion, excellent. The 'cost per thousand of the population' of Jersey Income Tax, in 2002, was £47,142. The equivalent cost for Guernsey Income Tax was £55,800 and Isle of Man Income Tax £52,241. Reporting on these facts, the Jersey Evening Post commented '...it would appear the Island's tax collectors are efficient compared to elsewhere...the cost per 1,000 population of the Tax

Department was impressive...'. I can also confirm that the cost / yield ratio of Jersey Income Tax, i.e., the cost of running the Income Tax Office compared to tax revenues collected, in 2002, was 0.87%. The equivalent ratio for Guernsey Income Tax was 1.62% and Isle of Man Income Tax 2.59%. Although not directly comparable, the UK Inland Revenue cost / yield ratio for year of assessment 2002 / 2003 was 1.1%. In 2003, the 'cost per thousand of the population' of Jersey Income Tax was £49,259. The equivalent cost for Guernsey Income Tax was £61,926 and for Isle of Man Income Tax £56,551. It seems to me that these figures demonstrate beyond any reasonable doubt that the Jersey Income Tax Office is run very efficiently and effectively. These statistics are available for viewing on [www.incometax.gov.je](http://www.incometax.gov.je).

**To enquire as to the management arrangements to put into place with regard to: Zero / 10 etc.**

Most of the matters you highlight are included as items on the Income Tax Office Projects Management Board which I chair. An up to date copy of the Projects Grid detailing all the projects under management is enclosed for your perusal - I have deliberately excised all our technical abbreviations, acronyms, references and shorthand in the final 5 columns for ease of understanding. All these projects are considered on a monthly basis as to progress on, for example, law drafting, staffing, training, accommodation, IS solutions, etc. You will see that the Income Tax Instalment System (ITIS) - I assume you are talking about ITIS when you say, and I quote, '..payment in instalments...' - has its own specific identity within the Projects Grid, and I also enclose, for your perusal, the actual ITIS project map. ITIS is also included as a key high level objective for the Income Tax Office in the Finance and Economics Committee Business Plan 2005 as well as being on the Committee's Balanced Scorecard as a Key Delivery. In relation to GST, a paper has been submitted to the Finance and Economics Committee which it will consider on 2<sup>nd</sup> June, 2005, to seek approval to start the implementation phase of this project and you will see that it also has a specific slot on the Projects Grid. I trust you will see, therefore, that adequate management arrangements are in place, and will continue to be put in place as and when required, to address all the matters you identify. I must confess, however, to some confusion as to why you have included the following in your question - '...the taxation of entities claiming not to undertake trade in the Island but registered there...' ; '..tax enquiries...' and, finally, '...the collection of tax from 1(1)k residents...'. I am going to make some assumptions, therefore, as to what exactly these questions refer to and answer accordingly. On the taxation of entities claiming not to undertake trade in the Island but registered here, I assume you are talking about the current exempt company vehicle. If so, I can confirm that, if an exempt company vehicle trades in Jersey through an established place of business, it is taxable on these profits at 20%, in addition to paying the exempt company fee of £600. In relation to tax enquiries, I assume that is a reference to the investigations carried out on those who try to evade income tax. If so, I can confirm that, over the last 15 years, undisclosed income and profits of £94 million

have been brought into charge and back taxes and penalties of £16 million collected. In addition, 8 tax fraud prosecution files were referred to Her Majesty's Attorney General in the last 12 years, all of which were successfully prosecuted in the Royal Court. Finally, you enquire about the collection of tax from 1(1)k residents. I can confirm that 1(1) tax collection is handled in the same manner as for any other taxpayer, There is no special or different tax collection system for 1(1)k's. You will also know, of course, that the so called 'deals' which were entered into with 1(1)K's in the past no longer exist, all new 1(1)k's now having to pay tax under the provisions of Article 135A of the Income Tax (Jersey) Law. As for my experience of the 'tax gap' between theoretical and actual tax collection you will see that I have some experience of it due to investigations work, as outlined earlier, but, if you are referring specifically to the 'black economy' in Jersey, which I assume you are, it seems to me that, by its very nature, it is extremely difficult to make any accurate predictions about the tax gap between what tax should be collected and what tax is collected. I am not aware of any firm statistical evidence available in Jersey to enable me to give a definitive answer to your question.

I hope all this helps.

I will be happy to appear before you in person to answer questions if you think that would assist.

Yours sincerely,



**Malcolm Campbell, BA., FTII., FCMI**

Comptroller

Direct Dial: 44 (0) 1534 603305

Email: m.campbell1@gov.je

Web: www.gov.je

**INCOME TAX OFFICE PROJECTS MANAGEMENT BOARD**

Project priority and relevant project number	Project title	Relevant year of assessment	Law draft	Key completion dates for project	Administration responsibility	Staff requirements	Accommodation requirements	Computer software & hardware requirements	Evaluation and 'wash-up' on completion	Risks/Issues/Impact /Doc Ref.
1	Income Tax Instalment System - ITIS	2006	Completed. Income Tax (Amendment ) No 24 Law	Workflow registration 15/04/05 Public presentations 13/05/05 CD release 12/9/05 Release bundle 1 16/08/05 Release bundle 2 14/10/05 Fully operational 12/12/05 Enhancements 31/05/06. For further detail see formal project plan	Personal Tax Division / IS Division					
2	Goods & services tax - GST	2008	Probable in Budget Dec. 2006	Paper to FEC for 2nd June, 2005	Comptroller					
3	Withdrawal of interest tax relief / mortgage interest tax relief	2004	Done	See Completed list	Concession and Practice Booklet : May 2005					
4	Benefits in kind	2004	Done	See Completed list	Personal Tax Division					
5	Withdrawal of tax allowances for the higher paid - 20% means 20%	2006	Completed - but withdrawn from Budget Dec. 2004	States Assembly 'in principle' approval given May, 2005 Budget Dec. 2005 approval still required for legislation Operational : 10/12/2005	Personal Tax Division					
6	0% / 10% corporate rates	2009	Proposed for Dec. 2006 Budget	0% Non finance, 10% Finance. Software completion by mid-2008	Business Tax Division					
6	'look through' provisions for Jersey resident participants	2009	Proposed for Dec. 2006 Budget	Out for consultation with professional and others. Key completion date is mid-2008	Business Tax Division					

**INCOME TAX OFFICE PROJECTS MANAGEMENT BOARD**

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6	Transitional assessment and averaging arrangements in anticipation of 0/10	2007/2008	Proposed for Dec 2005 Budget	Paper to Finance and Economics Committee for approval 2nd June 2005	Business Tax Division					
7	New anti-avoidance provisions plus new information and enforcement powers	2009	Proposed for Dec 2006 Budget	Out for consultation with professionals and others. Key completion date is Dec. 2006	Comptroller					
8	European Union Savings Directive	2005	Done	End March, 2005	Income tax adviser					
8	OECD Tax Information Exchange Agreements	2006	Done - awaiting finalisation within next two months	Dec 2006	Income tax adviser					
9	Electronic Tax Returns by professional agents	N/A	Scheduled for Dec. 2005 Budget	Comptroller awaiting paper from IS/IS Division on 'Electronic Lodgement System'	IS/IS Division					
10	Business continuity / key personnel / crisis planning / succession planning	2005	N/A	Business continuity site to be ready for use in July 2005	Comptroller					
11	Correspondence workflow	N/A	N/A		All Divisions Revised correspondence handling					
12	Critical document processing	N/A	N/A	Review held in March	Personal/Business Tax Divisions					

INCOME TAX OFFICE PROJECTS MANAGEMENT BOARD

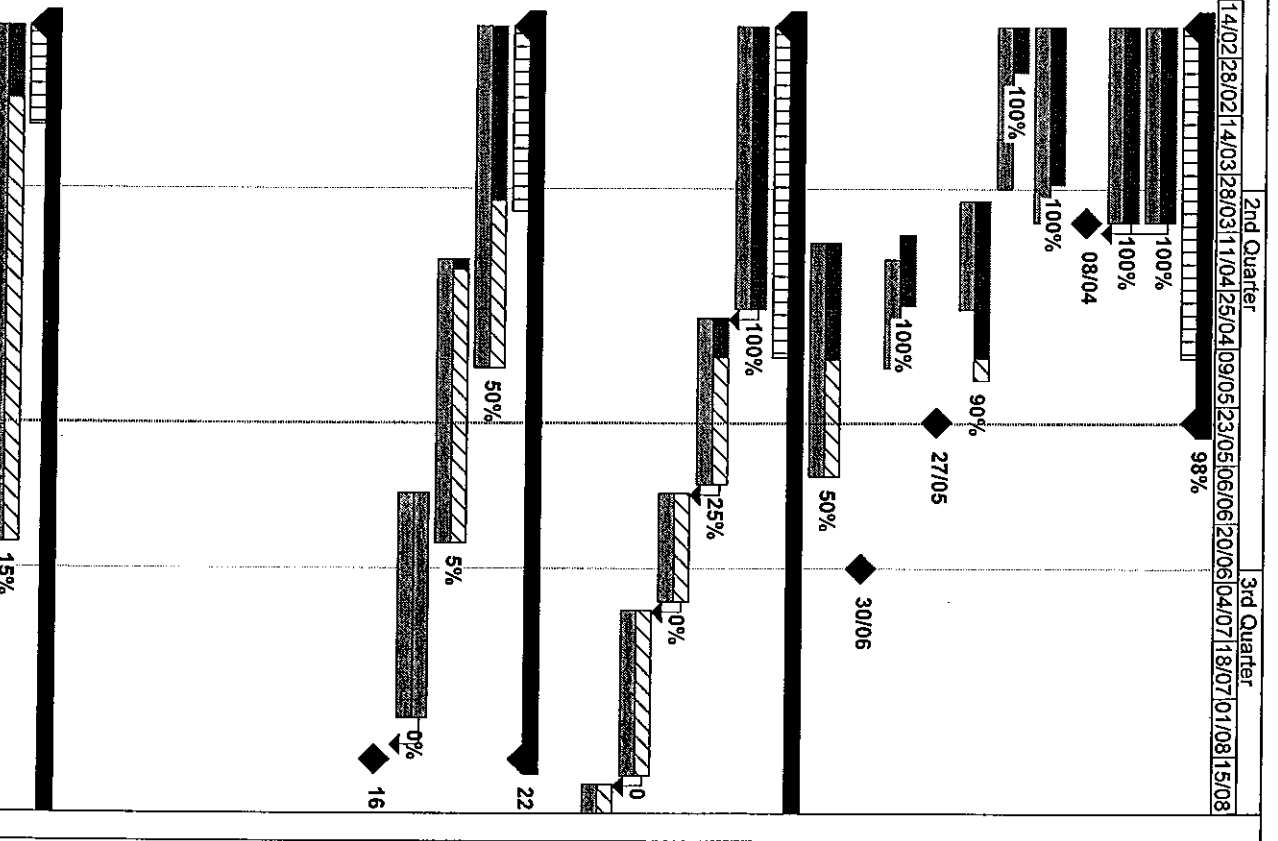
Project priority and relevant project number	Project title	Relevant year of assessment	Law draft	Key completion dates for project	Administration responsibility	Staff requirements	Accommodation requirements	Computer software & hardware requirements	Evaluation and 'wash-up' on completion	Risks/Issues/Impact /Doc Ref.
13	Axminster House staff to move to Cyril Le Marquand House	N/A	N/A	Axminster House lease ceases June 2006	IS Division					
14	Tax repayments interface	N/A	N/A	Test file with JD Edwards system	IS Division					

INCOME TAX OFFICE PROJECTS MANAGEMENT BOARD - COMPLETED PROJECTS

Project priority	Project title	Relevant year of assessment	Law draft	Key completion dates for project	Administration responsibility	Staff requirements	Accommodation requirements	Computer software & hardware requirements	Evaluation and 'wash-up' on completion	Risk/Issues/Impact/Doc Ref.
	Withdrawal of interest tax relief /mortgage interest tax relief	2004	Completed	Spec for Tax Return changes: 8/04Comp. Operational (Tax Returns changed & ready for posting) 10/04 Comp. Constructing new forms in Eye&Hands : mid Nov 04 Close : 12/04	All Tax Returns. Forms R10 & R62. Concession&Practice Booklet : May 05					
	Benefits in kind	2004	Completed	CD : 14/01/05Comp BIK Returns : 20/12/04Comp Staff in place : 3/11/04Comp & Notice of Additional Alpha coding : 29/10/04 Upload BIK data : 30/11/04 Fully Operational : 1/12/04 1st BIK Returns & Assessments: 1/05 Close : 10/05	Impacts on: Employer BIK Returns, Tax Returns New BIK Returns, Fully Operational, Addition to PTD SI manual				May-05	
	Late filing fee	2003	Completed	Operational Individuals : 20/5/05Comp Operational Agents : 20/7/04Comp Additional Alpha coding : 30/8/04Comp Close : 11/04 ALL COMPLETE	New style Reminder : 2nd week Dec. To include LFF, LPS & tax bill outstanding for current year. Inform staff of working practice. ALL COMPLETE					
	Withdrawal of allowance for those attending Highlands Colloque	2005	Completed	Operational : 01/11/2005	Changes required to Tax Return notes & Assessing guidelines for YOA 05. Existing beneficiaries grandfathered.					

# ITIS Project (Approved, Issue 1.0)

ID	Task Name	Duration	Start	Finish	after	2nd Quarter	3rd Quarter
1	Early Release	69 days	Mon 21/02/05	Fri 27/05/05	17/01	31/01	14/02
2	Full workflow Registration process (inc scanning)	35 days	Mon 21/02/05	Fri 08/04/05	28/02	14/03	28/03
3	Ability to create Non Liabie cases	35 days	Mon 21/02/05	Fri 08/04/05	28/03	11/04	25/04
4	Registration fully operational	0 days	Fri 08/04/05	Fri 08/04/05	09/05	23/05	06/06
5	XML Spec published (contract s/w houses)	28 days	Mon 21/02/05	Wed 30/03/05	20/06	04/07	18/07
6	ITIS Guidelines published	9 days	Mon 21/02/05	Thu 03/03/05	01/08	15/08	
7	Flyer to individuals & employers	31 days	Mon 04/04/05	Mon 16/05/05			
8	Distribution of Flyer	0 days	Fri 27/05/05	Fri 27/05/05			
9	Presentations to employers	13 days	Tue 12/04/05	Thu 28/04/05			
10	All staff contracted	0 days	Thu 30/06/05	Thu 30/06/05			
11	Test Data & Processes for UAT	40 days	Thu 14/04/05	Wed 08/06/05			
12	Employer Returns Release	145 days	Mon 21/02/05	Mon 12/09/05			
13	CD & Paper designed	50 days	Mon 21/02/05	Fri 29/04/05			
14	CD & Paper development to UAT	30 days	Mon 02/05/05	Fri 10/06/05			
15	UAT of CD/Paper Employer Returns	20 days	Mon 13/06/05	Fri 08/07/05			
16	Trial of CD/Paper external	30 days	Mon 11/07/05	Fri 19/08/05			
17	Production development	15 days	Mon 22/08/05	Fri 09/09/05			
18	Release of CD	0 days	Mon 12/09/05	Mon 12/09/05			
19	Release Bundle 1	126 days	Mon 21/02/05	Tue 16/08/05			
20	Design for Bundle 1	60 days	Mon 21/02/05	Fri 13/05/05			
21	Development of Bundle 1	50 days	Mon 18/04/05	Fri 24/06/05			
22	UAT of Bundle 1 (ER calc, POA, Non Liabie)	40 days	Mon 13/06/05	Fri 05/08/05			
23	Implement Bundle 1	0 days	Tue 16/08/05	Tue 16/08/05			
24	Operational Dates	40 days	Mon 05/09/05	Fri 28/10/05			
25	LIVE : NOA released.	0 days	Mon 05/09/05	Mon 05/09/05			
26	LIVE : Appeal period	40 days	Mon 05/09/05	Fri 28/10/05			
27	Effective Rate LIVE	76 days	Fri 16/09/05	Fri 30/12/05			
28	LIVE : ER & Consent form sent out	0 days	Fri 16/09/05	Fri 16/09/05			
29	Consent period (6 weeks)	0 days	Thu 27/10/05	Thu 27/10/05			
30	LIVE : Send electronic ERs to employers	20 days	Tue 01/11/05	Mon 28/11/05			
31	LIVE: Administration of ER requests etc.	76 days	Fri 16/09/05	Fri 30/12/05			
32	Bundle 2	170 days	Mon 21/02/05	Fri 14/10/05			
33	Design for Bundle 2	90 days	Mon 21/02/05	Fri 24/06/05			





# ITIS Project (Approved, Issue 1.0)

ID	Task Name	Duration	Start	Finish	Timeline											
					17/01	31/01	14/02	28/02	14/03	28/03	11/04	25/04	09/05	23/05	06/06	20/06
34	Development of Bundle 2	90 days	Mon 18/04/05	Fri 19/08/05	[Task 34 spans from 18/04 to 19/08]											
35	UAT of Bundle 2	35 days	Mon 22/08/05	Fri 07/10/05	[Task 35 spans from 22/08 to 07/10]											
36	Implement Bundle 2	0 days	Fri 14/10/05	Fri 14/10/05	[Task 36 is a single-day task on 14/10]											
37	Complete End to End UAT period	40 days	Wed 19/10/05	Tue 13/12/05	[Task 37 spans from 19/10 to 13/12]											
38	UAT of End to End Process	20 days	Wed 19/10/05	Tue 15/11/05	[Task 38 spans from 19/10 to 15/11]											
39	Development Re-work & Test	15 days	Wed 16/11/05	Tue 06/12/05	[Task 39 spans from 16/11 to 06/12]											
40	Implement re-work components (end to end)	0 days	Tue 13/12/05	Tue 13/12/05	[Task 40 is a single-day task on 13/12]											
41	System & Procedures Ready for Live Operation	0 days	Tue 13/12/05	Tue 13/12/05	[Task 41 is a single-day task on 13/12]											
42																
43	Non critical enhancement - Implementation	0 days	Wed 31/05/06	Wed 31/05/06	[Task 43 is a single-day task on 31/05]											

# ITIS Project (Approved, Issue 1.0)

ID	Task Name	Duration	4th Quarter												1st Quarter												2nd Quarter											
			29/08	12/09	26/09	10/10	24/10	07/11	21/11	05/12	19/12	02/01	16/01	30/01	13/02	27/02	13/03	27/03	10/04	24/04	08/05	22/05	05/06	19/06														
1	Early Release	69 days																																				
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Baselined : 18/03/05

## ITIS Project (Approved, Issue 1.0)

ID	Task Name	Duration	Timeline																							
			4th Quarter			1st Quarter			2nd Quarter																	
			29/08	12/09	26/09	10/10	24/10	07/11	21/11	05/12	19/12	02/01	16/01	30/01	13/02	27/02	13/03	27/03	10/04	24/04	08/05	22/05	05/06	19/06		
34	Development of Bundle 2	90 days	[Timeline bar with 0% completion marker]																							
35	UAT of Bundle 2	35 days	[Timeline bar with 0% completion marker]																							
36	Implement Bundle 2	0 days	[Timeline bar with 0% completion marker]																							
37	Complete End to End UAT period	40 days	[Timeline bar with 0% completion marker]																							
38	UAT of End to End Process	20 days	[Timeline bar with 0% completion marker]																							
39	Development Re-work & Test	15 days	[Timeline bar with 0% completion marker]																							
40	Implement re-work components (end to end)	0 days	[Timeline bar with 0% completion marker]																							
41	System & Procedures Ready for Live Operation	0 days	[Timeline bar with 0% completion marker]																							
42			[Timeline bar with 0% completion marker]																							
43	Non critical enhancement - Implementation	0 days	[Timeline bar with 0% completion marker]																							

◆ 31/05