

**STATEMENT TO BE MADE BY THE PRESIDENT OF THE POLICY AND RESOURCES  
COMMITTEE ON 4th FEBRUARY 2003**

I wish to make a statement on the recent issues concerning the non-payment of taxation in respect of rental subsidies provided to certain employees of the States of Jersey.

The problem had its origins in 1988, when the Finance and Economics Committee of the day approved the payment of rental subsidies to those who were recruited to the Island as “essential employees”. This approach was adopted because it was recognised that the cost of leasing or renting a property in Jersey was significantly higher than in the United Kingdom, particularly as these employees were obliged to rent in the “j” category market. It was apparent that if support was not provided it was unlikely that the States would be successful in recruiting such staff.

Unfortunately, it would appear that action was not taken at that time by the employing departments to establish the taxation consequences of such payments and this issue was not re-considered until recently, when a review of the arrangements associated with these payments was carried out.

Since 1988, no consistent information has, therefore, been issued to such employees, who, in the main consist of teachers, doctors and other employees of Health and Social Services, identifying that these payments were subject to tax.

In the light of this uncertainty and confusion, the Policy and Resources Committee, as the Committee now responsible for Human Resources matters, in consultation with the Finance and Economics Committee has determined that on balance it would be unfair to expect employees to pay back taxes in respect of their subsidies. This decision was also influenced by the impact that this might have on their motivation and morale and the possibility that some might leave their employment. In addition, the Committee felt that it would be inequitable to expect the small number of States’ employees who had correctly paid their tax on their subsidy to be left in a worse position than those who had failed to do so. As a consequence, the Committees have also agreed to reimburse them with the amount of tax they had already paid.

Departments who have been responsible for recruiting “j” category employees have been requested to notify the Income Tax Department of the details of the subsidies that have been paid in order that the size of the tax liability can be calculated. The amount is not, therefore, known accurately at this stage. However, it is most unlikely to exceed £500,000.

It is permissible for the overall liability to be paid by the employer to the Comptroller of Income Tax as a lump sum, in line with past practices that have been applied in the case of the private sector. The Finance and Economics Committee has agreed to a request from the Policy and Resources Committee that the sums in question should be paid to the Income Tax Comptroller from out of the General Reserve. In due course, these revenues will, of course, be returned to the States Treasury.

Clearly, this situation is most unsatisfactory. However, the Committees felt that it was vital to retain the loyalty and commitment of this important group of employees and have, therefore, taken the action that they have.

I can assure the Assembly that procedures have now been put in place in order to provide all existing and new employees with advice on the declaration of their rental subsidies to the Income Tax Department. For the years of assessment 2002, and subsequently, the tax liability clearly rests with the employee.