

2015.07.14

4.1 Deputy D. Johnson of St. Mary of the Minister for Treasury and Resources regarding tax policy in respect of debtor amounts:

Did the tax policy in the 2014 States of Jersey accounts not account for debtors for individuals paying tax on a prior year basis and, if so, will the Minister state why the debtor amount is not recognised in accordance with U.K. accounting policy; whether adopting such a policy would impact on the Medium-Term Financial Plan, and outline the impact on the debtor balance if the policy was adopted?

Senator A.J.H. Maclean (The Minister for Treasury and Resources):

No income is recognised for prior year basis taxpayers until a final assessment is raised in the year in arrears. The Jersey tax system cannot be compared directly with that of the U.K. (United Kingdom), as there are distinct differences in the way tax is assessed and collected which influenced the way in which revenue can be recognised. No provisional assessment or estimate is currently carried out for prior year basis taxpayers and the payments received through I.T.I.S. (Income Tax Instalment System) collection relate to prior year liabilities so revenue is recognised when a final assessment is raised a year in arrears. To recognise this revenue earlier would currently require the use of higher level forecast to estimate the values of those on a prior year basis. If circumstances supported recognising this revenue earlier it would result in an increase in income and debtors and the Consolidated Fund balance of about £300 million, all prior year basis income but this would not generate any more in-year cash.

The Deputy of St. Mary:

Thank you, Minister, for that reply. I have no further questions.

[9:45]

4.1.1 Deputy G.P. Southern of St. Helier:

The question was: how many prior year individual taxpayers are there and what total amounts of money might be assessed on prior year?

Senator A.J.H. Maclean:

How lucky the Deputy managed to get in just in time. **[Laughter]** What I can say is that in 2006 4.5 per cent of the tax collected from employment income was on a C.Y.B., which is a current year basis. The current year basis in 2014 is now 34.5 per cent and so there has been an increase and indeed for all new taxpayers they do operate and move on to a current year basis, so we are slowly moving towards current year basis.

4.1.2 Deputy G.P. Southern:

Supplementary, if I may? Is there any consideration being given at the moment to harmonising all sectors in the current year or vice versa?

Senator A.J.H. Maclean:

Yes. Treasury are keeping the matter under close review at the moment. It is not as straightforward as it might seem and indeed there are potential costs in terms of an accelerated transition but, as I have pointed out, between 2006 and 2014 there has been quite an increase anyway from 4.5 to 34.5 per cent. As I have said, we continue to monitor the situation and will update Members in due course if there is any activity to change the situation.

4.1.3 Deputy J.A.N. Le Fondré of St. Lawrence:

Just to pick up the Minister in his last comment, I have only briefly scanned the M.T.F.P. (Medium-Term Financial Plan) when it came in last night but there is a reference in part of that document

about changing the treatment, I understood, of current year against prior year and how we are going to recognise the cash, I think. Could the Minister expand on that because it is slightly at odds, I think, to what he has just said in terms of it implies it is a bit more advanced in the M.T.F.P. than he has just indicated?

Senator A.J.H. Maclean:

It is not really more advanced and indeed the Deputy is very eagle-eyed to have spotted what he did spot. What we have done is that we have recognised the fact that there are a certain number of current year taxpayers, so that is money accrued in-year. So with a change to the accounting policy to recognise the current year taxpayers' revenue in the current year, which is what the Deputy is referring to, this has the effect of increasing the money in the Consolidated Fund that can be used as opposed to waiting until next year until it can be used and a sum of £60 million is therefore included and available in-year 2015. That is of course one of the benefits of the current year basis, which I think Deputy Southern was alluding to himself.

4.1.4 The Deputy of St. Mary:

I had a note from the Medium-Term Financial Plan that 34.5 per cent of tax is attributed to those payable on the cash basis. Would it not be possible, based on previous years, to at least include in the accounts some form of estimate as to what the tax might be gleaned from those paying on the preceding tax year basis?

Senator A.J.H. Maclean:

I will refer back to the Deputy with an accurate answer on that. I am not entirely sure to what extent that information would be accurate and therefore relevant for inclusion within the accounts. We would only want to put what we were satisfied was an accurate appraisal. Clearly the way in which we are dealing with the current year basis taxpayers, we do have an assessment for that, and that is why the accounting policy change has been introduced. But in terms of prior year, which I think the Deputy was referring to, I will refer back to him with a clearer view on what we might be able to do in the future with those taxpayers.

The Deputy Bailiff:

Deputy Higgins is malade so we come on to question 3.