



Corporate Services Scrutiny Panel

Personal Tax Reforms

Witness: The Minister for Treasury and Resources

Tuesday, 14th January 2020

Panel:

Senator K.L. Moore (Chair)

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

Deputy J.H. Perchard of St. Saviour

Connétable R. Vibert of St. Peter

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 Tax

Ms. C. O'Brien, Deputy Comptroller of Revenue

[10:00]

Senator K.L. Moore:

First, I wish you all a very happy New Year and thank you for coming to speak to us about this personal taxation reform. So the first question is ... oh yes, we do need to start by introducing ourselves, of course, apologies. So I am Senator Kristina Moore and I am the Chair of the Corporate Services Scrutiny Panel.

Deputy S.M. Ahier of St. Helier:

Deputy Steve Ahier, Vice-Chair.

Deputy J.H. Perchard of St. Saviour:

Deputy Jess Perchard, a member of the panel.

The Minister for Treasury and Resources:

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 Comptroller of Revenue:

Cora O'Brien, Deputy Comptroller of Revenue.

Senator K.L. Moore:

Thank you, I am grateful. So P.119 has now been published. My first question really was part (b) of that proposition suggests that draft legislation will be brought forward during 2020. I really wanted to know why the draft legislation was not presented as would normally be the case from a ministerial proposition in the proposition itself at this time.

The Minister for Treasury and Resources:

Sorry, just to make it clear, why the legislation has not been proposed at the time of the proposition?

Senator K.L. Moore:

Yes, why there is no draft legislation, as normally that would be the case with a ministerial proposition.

The Minister for Treasury and Resources:

I think as the panel will be aware - and certainly some of you have briefings, detailed briefings on this - it is incredibly complicated, I think.

Senator K.L. Moore:

Yes, but you have been working on it for some time ...

The Minister for Treasury and Resources:

We have, but ...

Senator K.L. Moore:

... so it does sound somewhat like a Back-Bencher proposition, calling for a Minister to bring forward ...

The Minister for Treasury and Resources:

What we wanted was to present the proposition because what we realised quite quickly is we could not do the whole thing in one go. It is going to be over stages until 2022, but my promise to the Assembly and Deputies Perchard and Doublet and recently Deputy Shenton-Stone - Connétable - was that we would do the married man's taxation first, which was what was the promise. Then the rest of it will have to be done in stages once we have done a further consultation because it is so complicated. It has revealed - and you have the papers and the figures - but it will affect about 8,300 married couples on lower to middle income and we cannot have them being negatively affected, so more work needs to be done. So that would be the second stage of this. The married man's taxation proposition we want to get agreed by the Assembly before we propose the legislation.

Senator K.L. Moore:

So could you just explain for us what exactly the complications that you see are?

The Minister for Treasury and Resources:

It is very difficult to explain because it is very complex, but briefly, what I have just mentioned is the rather detrimental side to some couples because of the allowances on those on either one income or 2 lower incomes and we cannot proceed with something that is going to be detrimental to people. So 8,300 it would affect negatively. Off the top of my head, 3,200 would pay less tax, but we cannot have that sort of difference. Of course that sort of thing takes a huge amount of time to work out how to compensate. We have talked about grandfathering this, so taking it over a period of time so that the negative impact is reduced, if not removed.

Senator K.L. Moore:

Yes. So in the paper that you have presented, there are 3 options outlined and when do you anticipate making a decision?

The Minister for Treasury and Resources:

On the law?

Senator K.L. Moore:

Yes.

The Minister for Treasury and Resources:

We are working with the law drafting now, so that will come forward ... when is that, Cora?

Deputy Comptroller of Revenue:

Yes, so some of the complexities around the law drafting on the first part of this, which are to do with the reform of married man's taxation to married couples' taxation, which the law is due for debate perhaps as part of this Finance Law, perhaps not - we can talk to you about the best way to do that in terms of timing - but what we are doing at the minute is working with our operational colleagues in Revenue Jersey just to ... there are several different threads to getting this right in terms of joint and several liability, the option for separate assessment, joint access to information. So there are issues that we need to confirm around the format of the return, the paper and the online and what is on it, who signs it, is it either, is it both? So there are some sort of decisions and options around that to finalise. The format of the assessment that ends up going out once the return is lodged, how we do the access to information on a going forward basis and dealing with some of the issues around compliance. There is probably around 30 Articles of the Income Tax Law that are impacted just purely from the move from married couples to married man taxation, and to make sure ... we are in the process of reviewing those Articles and doing law drafting instructions at the minute. So we just need to make sure that whatever way we do it that it works with the new computer system that we have and it achieves what we are trying to do before we get into the detail of the law drafting. So that is the process and that is where we are at.

Senator K.L. Moore:

Sure, okay. So has there been a ministerial direction in terms of which way the law drafting is going to be brought forward with which option of the 3?

The Minister for Treasury and Resources:

Which option?

Senator K.L. Moore:

Of the 3 that are laid out in this proposition.

The Minister for Treasury and Resources:

Well, as Cora explained, it is a matter of what we can do with the first part of it and then what will have to be moved, as 30 different Articles have to be changed just in the first place. So I think that is probably why, in answer to your first question, it cannot come to accompany the proposition because we need the States to agree the proposition before we can finalise the law drafting.

Senator K.L. Moore:

Could you just explain why, please?

The Minister for Treasury and Resources:

Because it is so complicated and there is a lot of changes to the Income Tax Law which will then have be approved ... well, through the Law Officers' Department and then will have to approved by the Assembly in this year.

Senator K.L. Moore:

It is rather unusual to ask the Assembly to do one thing, but then the legislation is going to come later.

Comptroller of Revenue:

I wonder if there is a slight confusion here. I think the Minister has effectively said 2 things. The first is that she is minded to move towards independent taxation and there will be various options for how to do that and that is going to be the work of the next 18 months to 2 years. In the meantime, married man's taxation is going to be converted into married couples' taxation. If the Assembly support that, and by supporting the proposition that the Minister has lodged, then a great deal of time is going to be needed over the next few months to change 30 Articles of the Income Tax Law in time for that to be lodged in the next Finance Law.

Senator K.L. Moore:

Yes. No, I understand that, thank you, Comptroller, but I think the question is that we are still at an options stage so the Assembly are being asked to agree something and then see ... with options and they are not entirely sure of the direction of travel. It is a rather an unusual approach to bring something to the Assembly and then come back with the legislation when ...

Deputy Comptroller of Revenue:

Could I just clarify?

Senator K.L. Moore:

We need to move on.

Deputy Comptroller of Revenue:

So (a)(i), (ii) and (iii) are not options, they are all going to be part of the puzzle.

Senator K.L. Moore:

Yes, yes, I understand it is the following options that it is ... and I am just trying to understand why they have been separated out and what exactly the complexity is. As the Minister has said, some of the complexity is about the cost that that will incur some taxpayers who fall into this bracket and

so that is laid out in tables in the proposition and also it states that the Government will benefit to the tune of approximately £10,000. Is that correct?

Comptroller of Revenue:

If independent taxation were introduced, all other things being equal, it would generate £10 million from low income couples, which is why obviously further work is being done to make sure that does not happen.

Senator K.L. Moore:

Yes. So, Minister, are you content with that position, that those £10 million would be generated from lower-earning couples?

The Minister for Treasury and Resources:

Well, clearly not.

Comptroller of Revenue:

They will not be, because we will not be going down that route.

The Minister for Treasury and Resources:

It will not be, because we are not going down that route. The object of the whole procedure is to remain tax neutral so that people do not lose and the Exchequer do not obviously benefit to that extent. I mean, it would be completely unacceptable.

Senator K.L. Moore:

Right, and so what you are considering now is options that will mitigate that extra charge?

The Minister for Treasury and Resources:

Yes, yes.

Senator K.L. Moore:

So are you able at this stage to reassure the Assembly and members of the public that the additional cost to taxpayers that is outlined in your proposition will be avoided?

The Minister for Treasury and Resources:

It will be mitigated. We will have to compensate in some way for those who would be ... I think the sort of winners and losers comparison came into the equation, so compensate for those who potentially might have to pay more tax because of the allowances being removed, but the whole idea is to be far more equal across the board so that unmarried couples and married couples are far

more evenly dealt with than they are at present, but so that it leaves nobody negatively impacted. That takes quite a lot of working out.

Senator K.L. Moore:

Will there be any additional administrative charges in making these changes?

The Minister for Treasury and Resources:

Well, it is a very difficult question to answer because obviously it takes quite a lot of manpower to evolve all of this, not to mention the officers in the Law Department of course to bring forth the legislation. In Jersey we do not measure the time spent on things by officers in pounds, shillings and pence. So it will involve a lot of manpower to do it, but we do not apply a cost to that, bearing in mind this law evolved in 1928 and has only been marginally changed in 1968, so very, very out of date and much needs addressing.

Deputy S.M. Ahier:

Thank you, Minister. Are the reforms equitable and will they succeed in providing equal taxation within married and civil partner couples?

The Minister for Treasury and Resources:

With married and civil partners?

Deputy S.M. Ahier:

Civil partner couples, yes. Will they provide equal taxation?

The Minister for Treasury and Resources:

Under this new legislation?

Deputy S.M. Ahier:

Legislation or position.

The Minister for Treasury and Resources:

It is equal, is it not? It is intended to be.

Comptroller of Revenue:

Yes. Ultimately, if the Assembly votes to proceed with independent taxation, then that independent taxation will tax every individual person regardless of whether they are single or cohabiting or married or in a civil partnership or whatever. So independent taxation does guarantee absolute equity between individuals.

Deputy S.M. Ahier:

Thank you. What do you expect the ratio to be of couples who still elect to file a single tax return?

The Minister for Treasury and Resources:

In the single tax assessment or an independent tax assessment, because you can have that already, but with the future of the law ...

Deputy S.M. Ahier:

In the future, yes.

The Minister for Treasury and Resources:

... there will be the choice prevailing so that if you want to remain, as some people do, in the current situation of the married man's taxation, you can do that. I mean, that is perfectly all right if it suits some couples, but equally you have the choice. Then once the law is introduced in 2022 ...

Deputy Comptroller of Revenue:

So 2021 for the married taxation and 2022 for the independent, yes.

The Minister for Treasury and Resources:

Yes, for independence, then anybody coming into the tax regime after that would be automatically independent, but prior taxpayers would have the choice to stay as they are or change.

Deputy S.M. Ahier:

Is the staged approach to reform the tax system up until 2022 appropriate and what work have you undertaken to back this up?

The Minister for Treasury and Resources:

A huge amount of work and the staged process is inevitable. It simply cannot be done in one go, so as I said before, there is a further consultation starting in February which we did to get us where we are now, with about 5,000 responses that we have had, so quite considerable interest in all of this, and another consultation which will open the area of questioning as to what people feel.

[10:15]

But in the previous consultation it came back very strongly that people wanted independent taxation as opposed to remaining with the married man's or household taxation. So all these questions have been asked with quite a considerable response.

Deputy S.M. Ahier:

If these changes are implemented, how will Jersey's taxation system compare to similar jurisdictions around the world?

Comptroller of Revenue:

I think as far as we have been able to establish, the vast majority of jurisdictions in the world have independent taxation. Most Commonwealth countries had the system we did in 1928, when we introduced income tax from the United ... we effectively copied the U.K. (United Kingdom) system, but over the intervening decades most Commonwealth countries have - for the reasons we are looking at it - decided to create something more equitable between the sexes. So I think the answer is that the vast majority of countries in the world have a form of independent taxation. The most unusual exception is on our doorstep, which is France, which does have a form of household taxation, which was the other option that we have looked at quite closely. So in France, for example, it is possible I think for a married couple to pay tax as a couple, and indeed potentially to include other members of their household in a tax unit, dependent children, maybe a dependent elderly relative, that sort of thing.

Senator K.L. Moore:

Which Commonwealth countries have you particularly looked to and identified as being good standards of practice to follow?

Comptroller of Revenue:

I mean, we have done our research through the O.E.C.D. (Organisation for Economic Co-operation and Development) because they obviously have good databases which are available on different countries. Independent taxation in the major Commonwealth countries pretty much operates on the same lines as independent taxation in the U.K. so we are obviously looking to those models. Once you have decided to go for independent taxation, it is effectively a blank canvas on which you can build various options. For example, if you did want to incentivise marriage still, you could have a married persons' allowance; if you did want to incentivise other things which are considered socially good, it is possible to build those into the system.

Deputy S.M. Ahier:

How does it compare to the other Crown dependencies?

Comptroller of Revenue:

Cora, can you ...

Deputy Comptroller of Revenue:

So the proposal that we are suggesting as a way forward, which has sort of an independent taxation system with this option to grandfather existing married couples into it, it is very similar to what is done in the Isle of Man and Guernsey. It is a 2-stage approach because to move to independent taxation and think about grandfathering existing married couples, we are doing that to try and mitigate some of the costs that would otherwise be associated with just an immediate move to a pure independent taxation system, which although it would give equality would result in people paying more, so we are trying to gradually bring existing married couples into that system. That is the reason why as well we are doing the 2-stage approach because we would like to consult some more on doing that as to the types of people that could pay more if we did not grandfather and how much they would pay and what a period of grandfathering would look like and how we might do that. Would it be by freezing the married allowance, for example, so how does the public feel about that? We would like to go back and explore that a little bit more through more consultation and we also want to be careful that we do not undermine or conflict with what other areas of Government are trying to do on children's policy in what we do on independent taxation. So all of that needs to be worked through this year and we just felt that we did not want ... the Minister did not want to leave the married man system without doing some reform of it while we sort of got answers to these deeper policy questions.

Deputy J.H. Perchard:

Thank you. I would like to just ask about some of the detail, the wording on the proposition in relation to some of the Articles in the law. So part (a) of the proposition, part (i) states that ... so we are asking the Assembly: "to agree that reforms should be made to the Income Tax (Jersey) Law 1961 with regard to the taxation of married couples and couples in civil partnerships in order to – (i) create joint and several responsibility of married couples [et cetera and] while continuing to provide for the existing election for 'separate assessment' under Article 121A." Under Article 121A it states ... sorry, 121, part 1, states that for the purposes of this law, spouse B's income, for the purpose of this, will be deemed spouse A's income and this is specifically in relation to married persons, this is not the section on civil partnerships. But in this section, and this may be an oversight on my part, I do not see where spouse A and B are defined. In the civil partnership section, it says that spouse A is the younger, but it does not have that same definition for the married persons in the married persons section, so where it is defined? Which spouse is A and B for married partners?

Deputy Comptroller of Revenue:

For married partners, so the husband is the taxpayer. One of the things that we are looking at at the minute in law drafting is whether we would need to redraft the law in a similar way to civil partnerships to give the option to elect either spouse and how we might do that.

Deputy J.H. Perchard:

Yes. So spouse A is the married man?

Comptroller of Revenue:

Yes.

Deputy J.H. Perchard:

Excuse me a second. So the change here then, in terms of married couples' taxation, is that the spouse B, in a heteronormative marriage, would be the wife and spouse B could now elect for separate assessment?

Deputy Comptroller of Revenue:

That is what we are looking at, yes.

Comptroller of Revenue:

No, they can now.

Deputy J.H. Perchard:

Without consent of her husband? Because my understanding from a previous hearing was that she needed consent to get separate assessment. I thought the husband had to sign the form, which is correct, I believe.

Deputy Comptroller of Revenue:

So in the new system, it is likely that either spouse A or spouse B can opt to be the person who signs the return, so similarly, if both spouses wanted to ... if you wanted to elect for a separate assessment, as you do at the moment, is it a question that both ...

Comptroller of Revenue:

I think I would need to check and confirm for you. I do not have the law in front of me, but I think even now if a married woman wishes to elect the separate assessment, she can do so in her own right. I do not think she needs her husband's consent.

Deputy J.H. Perchard:

Okay, that is not the information we have had from you in the past. Could you check for us?

Comptroller of Revenue:

Right. I would need to check it, as I say, because I cannot quite remember, sorry.

Deputy J.H. Perchard:

Okay, but irrespective of how things are now, does this mean that going forward a married woman could elect for separate assessment without needing consent of her spouse?

Deputy Comptroller of Revenue:

So that is a good question that we need to think about because if one person wants separate assessment, in a new independent taxation system, if one wants separate assessment and one does not ...

Comptroller of Revenue:

I will need to check, but I think the position now and the position going forward probably will be that election for separate assessment can be made by either partner in a marriage. It is worth stressing that separate assessment is not independent assessment ...

Deputy J.H. Perchard:

Yes, understood.

Comptroller of Revenue:

... that a couple are still taxed as a couple and then the tax liability is apportioned according to income. The reason we have stressed the right to ask for separate assessment is because we believe there will be a category of people who do not want joint and several liability for whatever reason and they will not want joint and several access to private financial information, so we have to make that available.

Deputy J.H. Perchard:

Sure. The way that 121A reads suggests that it will be the case that you can elect for separate assessment without the consent of your spouse, so: "A spouse B living with his or her spouse A, or spouse A" so a wife living with his or her husband: "may elect, by written notice delivered to the Comptroller, for separate assessment in accordance with Article 121B" in which case spouse B's income is not deemed for the purpose of Law to be spouse A's income" and it also has the Article 121A(4), where it says: "The spouse who made the election may revoke it, by written notice to the Comptroller." So in that instance, either spouse ... it reads that either spouse can elect for separate assessment and that same spouse who elected for it can revoke it at any time, but obviously this is ... can you confirm that this is interim, towards moving to everybody paying independent tax, being an independent taxpayer?

Deputy Comptroller of Revenue:

So this is interim. This is a reform of married taxation. Assuming that we do end up with independent taxation, that would be a completely different matter, but it is still important that we get this right because there might be people who want to stay on married taxation for some time if we were to go into grandfathering, but yes, you are right, this does not affect the amount of tax that they pay. This separate assessment is just about them getting separate returns and being separately assessed, whereas independent taxation goes further than that and is changing the amount of allowances in that way.

Deputy J.H. Perchard:

I appreciate what the Minister is trying to do here, but is it still therefore the case that spouse A, which is the married man in this part of the legislation, that the income of spouse B is still deemed to be the income of spouse A for the purposes of this law until such a time that they elect for separate assessment?

Deputy Comptroller of Revenue:

Yes, but under the new rules that we are changing, spouse A could be either the man or the woman or either of the civil partners.

Deputy J.H. Perchard:

That has not come yet?

Deputy Comptroller of Revenue:

That is to come. That is what we are doing at the minute.

Deputy J.H. Perchard:

But that is not in this proposition either, because there is no legislative change in the proposition. It does request the Minister to bring it by summer, so that will come in summer, that redefining of terms for spouse A and B will come this summer?

Deputy Comptroller of Revenue:

Yes, yes.

Deputy J.H. Perchard:

To the Assembly?

Deputy Comptroller of Revenue:

It will certainly this year, hopefully by summer. It will come in plenty of time for it to be scrutinised before it has to be passed and we are working on it at the minute.

Deputy J.H. Perchard:

All right. Did you want to jump in, sorry?

The Minister for Treasury and Resources:

I was just going to say, if it is any help, Deputy, I have had a separate assessment for several years and I do not recall asking my husband's permission. Perhaps it could have been.

Deputy J.H. Perchard:

My understanding - and again, if you are not sure, then I am no longer sure, because I am sure we got this from you - but my understanding from a previous discussion was that separate assessment, when you initially apply for it, you need the consent of a married man.

Comptroller of Revenue:

I will confirm that.

Deputy J.H. Perchard:

Thank you.

Comptroller of Revenue:

I am fairly certain ...

Deputy J.H. Perchard:

I could be completely wrong.

Comptroller of Revenue:

... you do not.

Deputy J.H. Perchard:

Great.

Comptroller of Revenue:

But I will check the law. I am sorry, I have not brought it with me.

Deputy J.H. Perchard:

That is fine. Okay, I think I am done for now, thank you.

Senator K.L. Moore:

Okay, thank you. So we are going to continue talking about social impacts, if we may, and the Deputy's line of questioning there just raised the issue of domestic abuse in my mind. Financial control is often a part, a feature, of domestic abuse and so it would be helpful to know and understand what guidance and consideration has been given to protecting those who are subject to financial control and domestic abuse, please, particularly when it has been stated here this morning that either partner or member of the couple can make these decisions and whether that is safeguarding the other members of the couple in those situations.

[10:30]

Comptroller of Revenue:

I suppose to some extent it is quite difficult to guard against that in the tax system. Ultimately, independent taxation I think provides the greatest check against that because under independent taxation every individual is entirely responsible for their own affairs. Only they can have access to their information. I suppose the existing system, which as I say goes back to 1928, does very much put the man in the driving seat. Now, obviously it is not always that it is the man in an abusive relationship. I think all we can do is make sure that wherever possible within the tax system, while we have a form of married couples' taxation, that we ensure mutual consent.

Senator K.L. Moore:

But mutual consent is from how you described earlier, either member of the couple, so ...

Comptroller of Revenue:

Well, either member of the ...

Senator K.L. Moore:

... in the interim, as we have learnt this morning, independent taxation will not be a feature until at least 2022.

Comptroller of Revenue:

No, indeed.

Senator K.L. Moore:

So in the interim, what is being done to safeguard ...

Comptroller of Revenue:

I suppose the biggest safeguard is mutual consent if you wish to remain taxed as a couple entirely and it is separate consent if you wish to elect for separate taxation.

Senator K.L. Moore:

Right, okay. Thank you, that is helpful. What work has been undertaken to take into account the impact upon children of this change?

The Minister for Treasury and Resources:

A lot. The Revenue Department - the Tax Department, as it was - are working very closely with the Early Years Development Board.

Senator K.L. Moore:

The Policy Development Board?

The Minister for Treasury and Resources:

The Policy Development Board, yes ...

Senator K.L. Moore:

That there are not any children ...

The Minister for Treasury and Resources:

... so that we can mutually go forward and so we do not step on each other's toes and we can find ways to establish allowances where they are needed, but working with the Early Learning Board. I think there is another meeting on 3rd February and Cora attends those board meetings. So a lot of work, so that there is not a negative effect on children either.

Connétable R. Vibert of St. Peter:

Are you able to elaborate on "a lot of work"?

The Minister for Treasury and Resources:

It is difficult to put it on a timesheet.

Deputy Comptroller of Revenue:

So what we are aiming or what we are trying to do is to make sure that at the minute there are a number of areas in which support for children crosses over with the tax system, so there is the child allowance and the additional child allowance for an unmarried families and tax relief for ... childcare tax relief for professional costs of having your children minded. So we are working in a parallel stream really and trying to develop proposals for the taxation of the couple, but in the modelling for doing that, trying to take into account whether and to what extent childcare costs go or childcare relief should continue to be given through the tax system. So the Early Years Board is looking at

the minute at areas around N.E.F. (Nursery Education Fund) funding and the scope of that funding and the children that it might be targeted at and who might receive it. So there is a programme of work about developing that and we need to make sure that anything that we do in any move to independent taxation does not in any way create a barrier to what they do working. So we will be considering whether ... I suppose always bearing in mind that tax relief is only available for taxpayers as well, so if you are not in the tax system then you do not get the benefit of the relief, so we are working kind of hand in glove with them at the minute when their proposals are finalised to make sure that we model the kind of family groups so that when you take account of ... and there is an interaction with benefits here as well, so when you take account of what they want to do on children and childcare and social welfare benefits and the new tax proposals that they are joined up and there are no surprises or unforeseen consequences in what we are doing.

The Connétable of St. Peter:

When do you think you would be able to tell us from all this development, modelling, looking into what those proposals might be?

Deputy Comptroller of Revenue:

So we are hopeful that in the first half of this year that Early Years Board will have finalised ... and I suppose it is not for me to say what their timetable is, but I think that that looks like when they will come to some conclusions about their priorities and where those are being targeted. So we are working at the same time on independent taxation, because there are a lot of issues to do with the couple that we need to do, including the consultation and the design of the grandfathering regime that we are kind of working to make sure that those knit together properly so that in this year, so that by the end of this year we have our fully-fledged proposal on independent taxation that we have gone back out to consultation on and that has taken into account the complex issues to do with children and to do with the interaction with social welfare.

Senator K.L. Moore:

In the proposition, intergenerational unfairness is described as a possible consequence of the differences in treatment between married couples and separate taxation. Could you describe how it is intended to deal with this intergenerational unfairness?

Deputy Comptroller of Revenue:

In trying to introduce a grandfathering scheme, which is to mitigate some of the impacts on people who would pay more, grandfathering would be targeted at couples who are already married. So what we are thinking of doing is that from a point in time, so say, for example, 2022, that any couples who married after that date would be in an independent taxation regime, if that is the future direction of travel, that any newly married people would automatically go into independent taxation. There

would be no impact for them, because they are treated as single people now and they would continue to be treated as single people. So then what we need to do is kind of work out how do we, as gradually as possible, get the existing population of married people grandfathered into independent taxation, because they would otherwise ... they will continue to get their married allowance, so one suggestion is that we freeze the married allowance for married couples and that over the course of ... if we were to let it freeze naturally and not increase it by inflation, it would take about 15 years to get to the point of the single person allowance. So that would reduce the intergenerational unfairness issue because it is bringing existing married couples closer to the position of newly married couples, but at the same time it is trying to mitigate the impact on them by just an immediate cutting of their married allowance. It is trying to find a balance in all of this, which is a little bit tricky.

Assistant Minister for Treasury and Resources:

I think any change of this nature is always going to throw up problems like that. Another example which we discussed when we were doing this is what we saw with pensions when we suddenly said: "Right, if you were born before this date, it is going to be just towards when you retire at 67" so it is a bit unfair on the people like myself who were caught in that, but when you have changes of this magnitude - and this is a big one - there are going to be one or 2 small anomalies in there.

Senator K.L. Moore:

Have any options been assessed and disregarded at this stage for managing the situation?

The Minister for Treasury and Resources:

Of?

Senator K.L. Moore:

Progressing to independent taxation or ...

The Minister for Treasury and Resources:

Oh, every single option available is going to be ... is being looked and hence very lengthy consultations because we have got to provide the public with the options giving us the reason to process it as we wish to or as the public wish to.

Senator K.L. Moore:

Okay. What engagement has been conducted with the tax community?

The Minister for Treasury and Resources:

Quite a lot.

Comptroller of Revenue:

There has been engagement with the whole community, which is set out in the report. I think there has been over 5,000 responses of one type or another. We discussed it obviously with the C.I.O.T. (Chartered Institute of Taxation) and the J.S.C.C.A. (The Jersey Society for Chartered and Certified Accountants) and the larger accountants who we meet on a routine basis. Yes, they have views which are similar to the wider community. I do not think there is a difference there. I suspect that the tax agent community will get more engaged when we do come to the drafting of the Articles, the 30 Articles or so that need to change, where they will help us peer review those and make sure we have got them right.

Deputy S.M. Ahier:

Thank you, Minister. How do you intend to communicate these reforms to the public?

The Minister for Treasury and Resources:

We have done several lines of consultation. There was a ComRes one that went out and there have been focus groups set up, which were largely for the first one, but we are going to revert to those again for the second consultation, which is in the February or March.

Deputy Comptroller of Revenue:

Around then, yes.

The Minister for Treasury and Resources:

There has been online consultation, telephone consultation, every single way we could think of, because obviously, as I say, as the Comptroller said, it is a massive, massive change. I am not denying it needs doing, but it is a big change after so many years and we want to sort of make sure that the public are totally aware, even though it is complicated, of what the changes will be, personalised to them. The Comptroller has said and we have advertised the fact that if you have any concerns phone the Tax Office, and people have been doing so if they think they could face a problem, they do not quite understand, as Deputy Perchard has highlighted, quite what the effect on them will be personally. They have had the answers. Then the second consultation will be based on what the answers were or responses were and areas of concern were for the first one.

Comptroller of Revenue:

It is probably worth adding to that that once the scheme is settled, once we have agreed and the Assembly has approved legislation, there will be a separate strand of activity which will be all about media and communications, guidance to the people. We routinely work with the third sector, as we have been doing recently, on things like online filing. So there will be an entire dedicated approach

to raising awareness among the community, and in particular we will do as much as we can to advise and help people understand the different choices that might be available to them as matters progress.

Deputy S.M. Ahier:

How much will this outreach cost?

Comptroller of Revenue:

We have not even decided exactly what it is yet, until we have scoped it. I mean, obviously the Government of Jersey has a much bigger communications and media capability in-house now than it did 2 years ago, so a lot more of that will be done in-house at a good cost.

Deputy S.M. Ahier:

Minister, do you intend to carry out outreach yourself in your capacity as Minister for Treasury?

The Minister for Treasury and Resources:

On the basis that we do media releases and then the Assistant Minister and myself respond to questions from the media. That is not always communicated quite as we intend, but then ... but yes, obviously we will, and with the proposition due to be debated on the 4th of February, obviously there will be a lot of explanation that goes with that which goes out to the public, so yes.

Deputy S.M. Ahier:

How do you intend to communicate the choice between the reformed system and the grandfathered system in order to allow couples to appropriately decide between the 2?

The Minister for Treasury and Resources:

I think we have to be very careful that there is not confusion arising. This proposition has got to be clearly what this is, followed by the law drafting. The next stage will move towards independent taxation, so I think the communication will be what we are doing with this one then what the further intention is, but without being too clear until we have got back from the consultation what people prefer. We can say what the options are, but it is complicated and confusing and I think we stand the risk if we amalgamate the 2 too much publicly that people will lose the point of the first, which is the first step.

[10:45]

Deputy S.M. Ahier:

Do you intend to have any consultation to undertake with Islanders to ensure that they are happy with the way the reforms are progressing?

The Minister for Treasury and Resources:

We want to do the consultation on the second tranche, if you like, of legislation and proposition first, and I think it will take a while to bed in, because this ... assuming it will be approved by the Assembly and then we have to put out the legislation, it will not be in place until 2021, so there is very little point in doing a sort of retrospective consultation until such time as people have had it in place for at least a year.

Deputy S.M. Ahier:

Thank you, Minister.

Senator K.L. Moore:

Constable Vibert. Sorry, I should introduce you.

The Connétable of St. Peter:

Yes, I apologise that I came in late. Constable Vibert. But would you consider having a dedicated team within Tax to deal with the public's questions about the new taxation system, perhaps a team they can contact directly rather than perhaps going through the Tax Department switchboard or the States switchboard, some sort of dedicated number or ...

Comptroller of Revenue:

Yes. As I say, I think the media and engagement will really start to take place ... if we are talking about the changes to married people's taxation, we would probably need to be communicating about that in the last quarter of the year. It is coming in for the 2021 year assessment, so we pretty much have a year to get that developed, I think, or ...

Deputy Comptroller of Revenue:

Yes, so we are working on a kind of a detailed engagement plan, because there will be key trigger points around the changes, so the filing of the return will not really kick in until the start of 2022 because it is for year assessment 2021, but we will be making people aware of the fact that they will have access to information on year assessment 2021. That will be from early in 2021, so we will be writing up a detailed kind of communication plan for the different stages and then when it comes to ... if we go down the road of independent taxation with grandfathering and that complexity on that, we would certainly be doing kind of modelled examples and making sure that people are aware of whatever is in their interests that they have full information to make the right choice for them.

The Connétable of St. Peter:

But would you have dedicated people who deal with that experience?

Comptroller of Revenue:

I think we would certainly consider that. If we expected the volume, we probably would. I mean, I think even now if you phone the Tax Department there is the option for different routes, so it may be as simple as that. I think one of the big issues, as I said earlier, for married people to think about is whether they do indeed really want joint and several liability and all that entails. That will very much depend on people's personal circumstances.

The Connétable of St. Peter:

Okay, thank you.

Senator K.L. Moore:

I think Deputy Perchard has the final set of questions.

Deputy J.H. Perchard:

Sorry, I was just thinking. Before I go to my final questions, can I just clarify something? So Articles 121 et cetera, part 16 of the law, as it currently stands, special provisions as to married persons, I am still unclear as to where spouse A and B are defined. I was wondering perhaps, if you do not have it in front of you, if you could get back to me on that?

Comptroller of Revenue:

Yes. I mean, the term "spouse A and B" came in with civil partnership and spouse A is taken to mean ...

Deputy J.H. Perchard:

Yes, but that is clearly defined in part 16.

Comptroller of Revenue:

Yes, it is. I will check where it confirms it and let you know.

Deputy J.H. Perchard:

Thank you. So finally, when can we expect the full set of personal tax reforms to be complete?

Comptroller of Revenue:

Certainly, as I said, the plan is to keep working towards independent taxation and introduce it for the 2022 year of assessment. I think that is the main bulk of what we think is the personal tax reforms.

There are probably ... I mean, it is the case that our law in many places is quite old. As the Minister has said, a lot of it does go back probably to 1928. We try to amend it year on year through the Finance Law but it is rather like painting the Forth Bridge, I think there will always be things to keep amending and developing in the tax law, as there is in every country. It is a very dynamic piece of legislation.

Deputy J.H. Perchard:

What obligations can we expect you to bring to the Assembly to ensure that successive governments continue to manage these reforms? Because there is an election in 2022, how are we going to ensure that that keeps going?

Comptroller of Revenue:

Going back the Chair's very first comment, I think that is where it is very useful if the Assembly has the proposition saying: "We want to do this in principle. Go away and get the law done and bring it back to us" which I think in the past has been done with some of the health and waste propositions that ultimately failed. But I think it is worth getting the principles agreed before we put this enormous amount of effort into redrafting the tax law. I think there is such broad consensus among States Members and indeed members of the public that independent taxation is what they really want that I think there is so much force it has become a juggernaut and will inevitably happen.

Deputy J.H. Perchard:

Just finally, just to clarify and reiterate, this proposition is obviously in principle to modernise the married man's taxation laws and you talk about creating joint and several responsibility, liability and access, but it is also your intent in the definitions of the terms in the new legislation following this proposition that money earned by anyone for the purposes of taxation will belong to them?

Deputy Comptroller of Revenue:

So in independent taxation that is 100 per cent what that will achieve.

Deputy J.H. Perchard:

But how about in the interim modernisation measures for married tax allowance?

Deputy Comptroller of Revenue:

In the interim, the income earned by the couple will be the income of the couple, but they will have equal rights and responsibilities around that, but it is a couple's income, unless they ask to be separately assessed, in which case they will be assessed separately on their share of the income, but it is still ... it is married taxation. It is not independent taxation.

Deputy J.H. Perchard:

It is not independent taxation, but for the case of civil partners it is very clear who spouse A and B are and therefore it is clear that unless you elect for separate taxation that, as a younger partner, the older partner's income is deemed that of the younger for the purpose of taxation, unless separate taxation is elected for in the current law.

Deputy Comptroller of Revenue:

Yes.

Deputy J.H. Perchard:

But it is not clear. There is no clarity about what that is like for married man's taxation or married couples' taxation in part 16 of the current law.

Deputy Comptroller of Revenue:

So just to be very clear, in a married taxation system, the unit of taxation is the couple.

Deputy J.H. Perchard:

But who ...

Comptroller of Revenue:

I think you are asking where the ...

Deputy J.H. Perchard:

What has changed between the legislation that was abhorrent and this legislation we have in front of us? Because I understand the change we are aiming towards in 2022, but what has changed?

Comptroller of Revenue:

Yes, I think what we are envisaging is that the man and the woman, the husband and the wife, can either do their tax return together or either of them can do it or either of them can sign it and that that choice is entirely theirs. It does not matter which of them is older, it does not matter which of them is the man. None of that matters. I think the couple ... what we are trying to create is that the couple have that joint and several liability for their tax affairs and their tax information.

Deputy J.H. Perchard:

So legislation following this principle and position will include definitions to that effect?

Comptroller of Revenue:

Yes.

Senator K.L. Moore:

Thank you very much to you all for attending today and we are grateful for your answers. I will close the hearing.

[10:54]