

Briefing for MTR/CSSP on the Revenue Transformation Programme (Phases 3 and 4)

The Revenue Transformation Programme (RTP)

RTP is an “umbrella” term for all the projects which have been run, effectively since 2015 to reform Jersey’s tax system – including legislative reform (domestically or internationally driven); IT systems renewal; process re-engineering and organisational re-structuring. In its earlier days, before consolidation of the programme, it was known as the Taxes and Social Security Contributions Programme and, alongside it, the Taxes Office Modernisation Programme.

Several business cases since 2015 have delivered specified projects set out in those business cases (with highlights in annual Budget documents and delivery plans) which have been supported by successive Governments and finance included in the annual Budget (Government Plan).

In addition to these transformational changes, funding has ensured the delivery of the more routine annual Finance Law (Budget) changes which maintain and uprate tax rates and allowances and the routine development and maintenance of new systems.

Phases 1 and 2 of the RTP (2015 to 2021)

These phases of the RTP in large part delivered the replacement of the (1985) ITAX system with our Revenue Management System (RMS) and saw growth in the size of international tax operations as FATCA and the Common Reporting Standard were implemented.

The implementation of RMS in 2019 ensured the longer-term stability of tax administration and helped deliver more modern capabilities such as online filing (from 2020 for the 2019 year of assessment). It also enabled – for the first time – Revenue Officers to access tax systems remotely by laptop. Both significant changes serendipitously came into place in time to help Revenue Jersey manage the impact of the Covid lockdown.

Significant legislative changes modernised the administration of taxes through the introduction of the Revenue Administration Law 2019 and further amendments via the Taxation (Income Tax, Goods and Services Tax and Revenue Administration) (Amendment) Law 2021, which amongst other measures introduced civil penalties and modernised criminal sanctions (recently discussed at the CSSP Quarterly Hearing in July 2024). These have enabled Revenue Jersey to become increasingly effective in its compliance activities and created greater transparency and effectiveness in the work of the Commissioners of Appeal for Taxes.

The new Economic Substance Law also came into force in 2019, helping Jersey meet its international tax commitments.

A significant re-prioritisation of work occurred in 2020 to deliver the abolition of the prior-year basis of paying taxes as a Covid support measure and to undertake work on the case for Independent Taxation (following the 2019 election).

We developed and published the first Personal Income Tax online return form for the 2019 return season, which has seen online returns grow to over 50%, halving our paper processing and inputting. Further internal and system work has allowed a significant number of our overall returns to be assessed automatically, meaning compliant taxpayers with simple affairs receive their assessments now within days of filing.

Phases 1 and 2 also included the creation of Revenue Jersey itself (in 2019) which was formed out of the merger of the old Tax Department and the Contributions Team from the former Social Security Department. Other aspects of Phases 1 and 2 of the RTP included the necessary change management activities to support the creation of Revenue Jersey within the revised Government Target Operating Model launched in 2019.

Phase 3 of the RTP (2022 to 2023)

Significant projects within Phase 3 of the RTP included:

- The introduction of the “Jersey Tax Professional” City and Guilds accredited learning programme – the first of its kind – from January 2023.
- The launch of the “Combined Employer Return” enabling Revenue Jersey to collect ITIS, Contributions and Workforce data at the same time and share appropriately with other Government departments.
- Delivery of online enquiry services (“online forms”) to improve customer service and creation of the Tax Community Helpdesk.
- Work to extend the Economic Substance Law beyond companies to include partnerships.
- Work to prepare to recover the Prior Year Basis of paying taxes (now deferred).
- Work to commence the phased implementation of Independent Taxation.
- Work to integrate Social Security Contributions into the Revenue Management System (including early work on IT system changes known as the Contributions Function Integration – CFI – project which had been delayed due to prioritisation of PYB (Prior Year Basis) abolition).
- Funding to grow Revenue Jersey’s compliance programme and so deliver additional tax yield
- Some seed funding to support the creation of the team which has developed the Pillar 2 proposals to the point of lodging the necessary legislation. This included funding dedicated resource within LDO.
- Some seed funding to enable early work on the (Phase 4) project to modernise our system (AEOI (automatic exchange of information) MAN) for dealing with the international exchange of tax information including new international requirements relating to crypto assets.

Phase 4 of the RTP (2024 to 2027)

The Business Case for Phase 4 of the RTP was approved in the spring of 2024 and included in the Proposed Budget (Government Plan) 2025-2028.

Key projects include:

- Completion of the CFI project continued from Phase 3. We expect to complete this project by December 2024.
- Completion of the project to deliver Independent Taxation (by December 2026 in practical terms) – principally development of the software and supporting measures needed to make Independent Taxation mandatory from the 2026 year of assessment, including the creation of the Compensatory Allowance and ability to elect for joint filing of tax returns.
- Completion of work to fully implement the Economic Substance Law.
- Enhancement or replacement of the AEOI (automatic exchange of information) MAN system (by December 2025) to ensure Jersey's compliance with the Common Reporting Standard and FATCA, taking into account changes for crypto assets.

The Business Case also includes funding to maintain the Revenue Management System (contract renewal to take place shortly) and to fund the annual Budget changes.

Revenue Management System (RMS) – Online Filing and Digital Services

RMS has been live since May 2019. Despite initial and some ongoing teething problems, it functions well and provides a stable platform on which to develop further services. The Comptroller & Auditor General undertook a review of the first phase of implementation of RMS and reflected lessons learned in her October 2021 report. Revenue Jersey will gradually further improve its digital services as resources permit.

Online filing of personal income-tax returns now stands at a little over 50% take-up and, as we recently discussed at the CSSP quarterly hearing, we are keen to encourage further take-up. All corporate income-tax; GST (Goods and Services Tax) returns, and other returns are filed online.

Online enquiry forms have been a notable change in terms of improving time-to-serve.

Finances

Allocations via the Government Plan have enabled Revenue Jersey to deliver on the areas described above. More specifically allocations of Phase 3 (Government Plan 22-25) totalled £9.425m over 4 years. Of that:

- Approx £6,6m provided the shared resource team for all project work in the programme
- £1.228m was earmarked for Independent Taxation. Phases 1 & 2 have been completed, and £667k has been saved to spend in 2025 to complete the final phase of works in line

with the legislative timeframe for a 2026 implementation. £562k was reserved for Debt Management but because of Covid, was used to bring forward the abolition of the Previous Year Basis of taxation (PYB), where phase 1 froze the 2019 debt for a future phase to collect according to legislation. A balance of £480k was transferred to Shared Services for the Debt Team to cope with the collection of it.

- £333k was spent on the initial online services of Personal Income Tax filing and the combined Employer Return. Both very successful and instrumental in supporting the strategy to align fully with Government Online Services (rather than Revenue Jersey having their own separate, incompatible online services).
- £100k was spent implementing extensions to the Economic Substance reporting required by the OECD to combat global base erosion and profit shifting (BEPS).
- The balance has or will be spent on maintaining the test team required whilst the [social security] Contribution Function Integration project (CFI) software is developed and a further small amount will transition required capabilities from the programme team to Revenue Jersey and allow all programme governance to be completed to meet Public Finance Manual requirements and CAG expectations.

The phase 4 allocations (Government Plan 24-27) total £11.237m over 4 years relate to the early provision for the International Tax systems needed to deliver the extensive new global compliance requirements (“Pillar 2”); for contract renewals relating to keeping the various Revenue Systems licenced and maintained; and related costs.

Programme Closure?

Once the CFI project has gone live, we expect to transition everything that has been created from the programme team to business as usual resources, close RTP Phase 3, manage Independent Taxation as a stand-alone project alongside the Phase 4 programme to deliver AEOI (automatic exchange of information) MAN changes and Pillar 2.

Revenue Jersey

September 2024