

**WRITTEN QUESTION TO THE MINISTER FOR TREASURY AND RESOURCES  
BY THE DEPUTY OF ST. JOHN  
ANSWER TO BE TABLED ON MONDAY 26TH SEPTEMBER 2016**

**Question**

Would the Minister provide details of the number of taxpayers paying on a current year basis and on a prior year basis, and explain what work, if any, has been done to resolve any problems that exist regarding the prior year basis model as it relates to taxpayers nearing retirement?

**Answer**

It is currently estimated that around 15,000 taxpayers pay tax on the current year basis and around 30,000 on the previous year basis. Taxpayers paying income tax on the “Prior Year Basis” (PYB) pay their taxes one year in arrears. Taxpayers paying income tax on the “Current Year Basis” (CYB) essentially pay tax as they earn income – “pay as you go”. Since 2006 (when the Income Tax Instalment Scheme was introduced) all employees newly entering employment in Jersey automatically become CYB taxpayers. The proportion of PYB taxpayers relative to CYB taxpayers in the working population continues to reduce yearly as new (entirely CYB) people enter employment and as older (mainly PYB) employees retire. Taxes Office data indicates that, for the 2014 Year of Assessment, around two thirds of employees paid tax on the PYB basis. (The available data for the 2014 Year of Assessment in this regard is currently being validated: there were around 45,000 individuals – including couples – paying tax; and about 15,000 non-taxpayers.)

PYB taxpayers nearing retirement may have concerns over their tax liability, which the Taxes Office has been addressing by offering assistance to taxpayers to move to a current year basis. PYB taxpayers will otherwise – in their first year of retirement - have a tax bill relating to their last year of employment income so, for most people, their first tax bill in retirement could be large relative to their (retirement) income. Some people plan for this eventuality, for example, by increasing the Effective Rate of Tax they pay in the run up to retirement so that they pay off their previous year’s tax liability and start to pay off their current year’s tax liability at the same time. Many do not - or cannot - afford to take action.

The Taxes Office offers a number of options to taxpayers who wish to switch from the PYB to the CYB basis of payment and information is available on the States website. Occasional media interest has been excited and supported by the Taxes Office to improve public awareness. Previous legislative change has fostered the switch to CYB – for example, in Budget 2015 when the States Assembly agreed to remove the option for people returning to Jersey to elect to remain PYB taxpayers.

Work continues to increase the CYB population. For example, we are currently exploring the scope to require PYB people not currently liable to or paying tax to become CYB taxpayers in the event they do again become liable to pay tax. A longer-term project will also look for the best ways to increase public awareness of this issue and better market the existing options which the Taxes Office can offer to help Islanders make the financial transition into retirement.

