STATES OF JERSEY

DRAFT BUDGET STATEMENT 2018 (S.R.12/2017): RESPONSE OF THE MINISTER FOR TREASURY AND RESOURCES

Presented to the States on 25th January 2018
by the Minister for Treasury and Resources

STATES GREFFE

DRAFT BUDGET STATEMENT 2018 (S.R.12/2017): RESPONSE OF THE MINISTER FOR TREASURY AND RESOURCES

Ministerial Response to:	S.R.12/2017
Ministerial Response required by:	8th January 2018
Review title:	Draft Budget Statement 2018
Scrutiny Panel:	Corporate Services

INTRODUCTION

The Minister welcomes the Panel's report.

FINDINGS

	Findings	Comments
1	Finding: The Draft Budget Statement 2018 states that a review of the personal tax system is being conducted. This will seek to address the discrepancies about how similar households are taxed.	A review of the personal income tax system is in progress. In particular, this review will consider alternatives to the current system of "married man" taxation (under which the joint income of a married couple is assessed on the husband), which would seek to address the discrepancies in the way similar households are currently taxed. A modelling tool is being developed that will allow the Treasury to model the impact (both on general tax receipts and groups of taxpayers) of changes to the personal income tax system. The modelling tool is currently in final testing and should be available to policy-makers early in 2018. In addition, engagement with the Public on the issue of "married man" taxation and potential alternatives has already commenced through the forum of a "chat bot" (see: http://www.apptivism.je/conversations/tax). Further engagement with the Public is planned throughout the timeline of the review.
2	Finding: The Minister for Treasury and Resources agreed in the public hearing on 7th November that there was a need to review the personal tax system and that this would include modelling both the current system and alternatives for the future.	See above.
3	(*Note: The above finding was inadvertently repeated in the Report.)*	/

	Findings	Comments
4	Finding: The approximate level at which a household becomes a net positive financial contributor (based on income tax, social security and long-term care) is likely to be greater than £34,000.	This is a statement for which no analysis or support was provided. Neither was there a statement to define the term "net positive financial contributor". Whether a family is a net contributor or otherwise will depend on their circumstances and will vary considerably.
5	Finding: Existing high value residents are protected by historical agreements from any increases in tax or any new tax models that may be introduced in the future.	Since 2005 the Island's high value residents ("HVRs") regime has consisted of 2 distinct, but inter-relating, elements: (i) granting of housing rights to an individual under the relevant Control of Housing legislation; and (ii) where those housing rights have been granted, access to preferential tax rates as specified in the Income Tax legislation. The Chief Minister grants housing rights to HVRs where satisfied that such a grant is justified on social or economic grounds (or both) and is in the best interests of the community. The income tax contribution that the applicant is likely to make has been a relevant factor in considering applications. The level of the expected annual minimum income tax contribution utilised by the Chief Minister when considering applications in the recent past is as follows: for those applying in the period from 2005 to 2010 (inclusive) an applicant was expected to have sufficient taxable income in order to generate an income tax liability of £100,000; from 2011 to 2017 (inclusive) an applicant has been expected to have sufficient taxable income in order to generate an income tax liability of £125,000. If the Chief Minister grants the housing rights (until the regime applying for new HVRs from 2018 onwards) the only tax implication was access to preferential tax rates. In particular if a HVR failed to meet their expected annual minimum income tax contribution there was no action that could be taken by the Taxes Office; it would be for the Chief Minister to consider withdrawal of the housing rights granted. It would not be reasonable to reconsider retrospectively grants of housing rights already made using a higher benchmark than originally used.
6	Finding: New high value residents entering the Island will be subject to new taxation arrangements. These arrangements will not be subject to an annual increase but will be reviewed every 5 years.	The new HVR tax regime created in Budget 2018 will apply to those HVRs granted 2(1)(e) entitled status on or after 1st January 2018. There are a number of elements to the new tax regime. One element is that the expected annual minimum income tax contribution will be subject to a revalorisation review on a 5-yearly basis (with the first review being completed in time for any changes to be made effective from the 2023 year of assessment).

	Findings	Comments
		Any increase in the expected annual minimum income tax contribution will be capped by reference to inflation in Jersey and will be subject to a competitive analysis.
7	Finding: There is uncertainty amongst the retail industry surrounding the overall impact of the proposed tax on larger retailers.	Appendix 11 to the Draft Budget Statement 2018 contains economic and distributional impact analysis of the proposed changes to the taxation of "large corporate retailers" contained in the 2018 Budget.
8	Finding: Companies trading in the provision of credit/finance to customers are operating in an unregulated marketplace.	Currently, not all businesses that provide consumer credit/finance in the Island are subject to specific regulation within Jersey. There is, however, a voluntary Code of Practice for Consumer Lending which has the key aims of – • enabling Jersey consumers to be fully aware of, and understand, the terms under which they are borrowing money; • enabling Jersey lenders, brokers and financial advisers to obtain the right information to ensure that credit is not advanced where the ability to meet repayment might be in doubt; • promoting responsible lending. Further details on the Code of Practice for Consumer Lending (including details of businesses which are subscribers to this Code) can be found on www.gov.je.[1]
9	Finding: The broadening of the definition of a "financial services company" for the purposes of the 10% income tax rate, will raise £3 million additional annual income.	As outlined on page 18 of the Draft Budget Statement, based on the data available to the Taxes Office it is estimated that the widening of the definition of "financial services company" proposed in the 2018 Budget should raise an additional £3 million per annum from the 2018 year of assessment onwards (this additional income will be first recognised in the States accounts for 2019).
10	Finding: The finance industry has expressed concern at the impact of the broadening of the definition of a "financial services company", for the purposes of the 10% income tax rate, on the Island's competitive position.	The Minister is surprised by this finding. The proposals to broaden the definition of "financial services company" were discussed, on a confidential basis, with representatives of the financial services industry on a number of occasions in advance of the Budget proposals being lodged. These discussions influenced the legislative proposals ultimately lodged with the States Assembly. In addition, during the 8-week lodging period, the Minister received no comment from businesses impacted by the proposed changes.

[1] https://www.gov.je/StayingSafe/ConsumerProtection/BorrowMoney/Pages/CodeConsumerLending.aspx

	Findings	Comments
		Finally, it is also noted that for the majority of the "broadening", the changes more closely align Jersey's 0/10 regime with Guernsey's 0/10 regime (i.e. most of the companies brought within the definition of "financial services company" would already be subject to tax at 10% if they were located in Guernsey).
11	Finding: The Minister for Treasury and Resources has stated that the likely impact of the ending of the deduction of rates by landlords renting property in Jersey, is that tenants will pay more.	The decision to make landlord rates non-tax deductible was made in Budget 2017, following an amendment from Deputy S.Y. Mézec of St. Helier that was agreed by the States Assembly.[2] Budget 2018 simply introduces the legislative changes required to make that decision effective. *Prima facie* the decision to make landlord rates non-tax-deductible will increase the income tax payable by landlords; there is a risk that landlords will seek to pass on this additional cost to tenants in increased rents. It has previously been estimated that the total rates payable on an average family home are approximately £300 per annum. Assuming half of the total relates to the owners' rates element, the additional tax payable under this measure is estimated at £30 per year.
12	Finding: An anomaly in Stamp Duty legislation means that certain properties, including in particular commercial offices, at present are not liable to stamp duty.	The transfer of the ownership of Jersey real estate is a transaction that must pass through the Royal Court, and hence the relevant contract is subject to the stamp duty chargeable by reference to Part 1 of the Schedule to the Stamp Duties and Fees (Jersey) Law 1998. Company share transfer transactions do not pass through the Royal Court and hence are not subject to stamp duty. Furthermore, land transaction tax only applies in specific circumstances – as outlined in Article 3 of the Taxation (Land Transactions) (Jersey) Law 2009. Therefore there are circumstances where the ownership of "enveloped" Jersey real estate can be changed through a transfer of company shares, incurring neither a stamp duty charge nor land transaction tax – these circumstances relate almost exclusively to Jersey commercial real estate.
13	Finding: The potential income not collected due to the current anomaly in Stamp Duty legislation on commercial properties could be substantial.	The transfer of shares of companies which envelop Jersey real estate is not currently recorded; therefore it is not currently possible to estimate the amount of stamp duty being "lost" as a consequence of the fact that the ownership of enveloped Jersey real estate can be changed through a transfer of shares.

[2] http://www.statesassembly.gov.je/Pages/Propositions.aspx?infoid=E5529592-0F3A-4ACC-9976-848B51B0F9E1&refurl=%2fPages%2fPropositions.aspx%3fdocumentref%3dp109%2f2016)

<table>
<tr><th></th><th>Findings</th><th>Comments</th></tr>
<tr><td>14</td><td>Finding: The revised cost of the Grainville school capital project is 50 per cent higher than originally estimated, increasing by £5.3 million to £15.5 million.</td><td>In summary, the increase in the estimated cost of the project comprises –
<table>
<tr><th>Original Budget</th><th>£10.2 million</th></tr>
<tr><td>Updated pupil number modelling increasing classroom and circulation space requirements</td><td>£1.3 million</td></tr>
<tr><td>Building Bye-law changes</td><td>£1.1 million</td></tr>
<tr><td>New 10% consequential improvement requirements</td><td>£1.0 million</td></tr>
<tr><td>Inflation above assumptions and impact of timings</td><td>£1.0 million</td></tr>
<tr><td>Demolition costs (not required in previous refurbishment scheme)</td><td>£0.9 million</td></tr>
<tr><td>Revised Cost</td><td>£15.5 million</td></tr>
</table>
The proportionately large movement in the estimated cost was largely driven by the evolution of the project to accommodate changing service needs; changing regulatory conditions; and further detail revealed through feasibility work, including identifying some difficult site conditions that were not anticipated. This was further exacerbated by the construction market conditions causing additional inflation.

Cost estimates are prepared on an out-turn cost basis using informed assumptions around future year inflation. In some cases, such as Grainville, the project is included in the capital programme to recognise the service priority, whilst acknowledging that further work is required to finalise the detail of the scheme.

Developing an accurate forecast for capital projects in an inflationary climate is difficult. The underlying rate impact may not be known until sufficient works have been tendered to provide a robust dataset, by which time future project budgets have been set on the basis of contemporary forecasts for current and future inflation.</td></tr>
<tr><td>15</td><td>Finding: The capital project to build the new Les Quennevais School has increased by approximately 14%, from £40 million to £45.6 million.</td><td>There are 3 drivers to the upward movement –
• A delay resulting from the need to resubmit for planning permission following the outcome of the planning inquiry. As an estimate based on recent experience, a 9-month delay would result in a cost increase of £1.5 million – £2.0 million.
• The amendments required to address the Jersey Architecture Commission comments has resulted in</td></tr>
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	Findings	Comments
		an increase in floor area of 468 m.[2] due to the separate Sports Hall. The impact is estimated to be £1.5 million on works costs, which is amplified by inflation, fees and contingency sums that are determined as a percentage of cost. • The inflation sum has also been recalculated to take account of more recent experience from tendering medium- to large-scale building works to the local market, which suggests that construction inflation is currently running at higher than general inflation.
16	Finding: Treasury officials have stated that they are identifying methods to change the way that capital projects are budgeted, so that more of the feasibility planning is done earlier, and therefore better estimates are provided.	The current MTFP established a sustainable provision for capital funding, which enables more effective prioritisation of capital investment. Where necessary and appropriate, advanced funding will be made available from the Central Planning Vote to enable feasibility, planning and design work to progress in order that the project is better placed to proceed on a timely basis and with a more robust cost estimate once full funding is approved in the Budget. Further changes are planned to the way capital funding is allocated, which will align the budget allocation with the spend profile of the project. Controls will remain in place to ensure that the whole project costs are provided for, but the annual allocation will be based upon spend profile, which will reduce the level of unspent capital and allow more effective cash management.
17	Finding: The Minister for Treasury and Resources has stated that the 2018 Budget is a mechanism for dealing with short-term funding issues up to 2019, and not providing long-term funding solutions.	The Minister stated that the revenue-raising measures in the 2018 Budget are intending to deal with the short- and long-term issue of the States not agreeing to the £15 million that would have been raised by the Health charge. The Minister also said that the issue of long-term sustainable funding for health will continue to be worked on.
18	Finding: The Minister for Treasury and Resources has stated that he will be making an announcement about higher education funding alongside the budget, and that he will be lodging funding proposals before the May 2018 election.	The Minister announced proposals in his Budget speech.

	Findings	Comments
19	Finding: The Panel’s advisers have raised concerns that the standard of living in Jersey, relative to that of the UK, is falling.	This has been apparent for some time in the data published by the Statistics Unit. GVA per head in Jersey fell significantly between 2007 and 2013, driven by the fall in GVA in the financial services sector; and in particular the impact of low interest rates on banking profitability and GVA. Since 2014, GVA per capita has been essentially flat in real terms in Jersey. In the UK GVA per head did fall between 2007 and 2013, but to a lesser degree, as the financial services sector is a smaller proportion of the economy in the UK and was not impacted in the same way by lower interest rates. Since 2014 there has also been a gradual improvement in GVA per head in the UK.
20	Finding: The productivity of Jersey’s economy (based on GVA per FTE) is not increasing in line with the population.	Jersey’s productivity trends have also been well-documented by the Statistics Unit and commented on by the FPP. It is not clear why this finding is particularly relevant. Productivity is a measure of GVA per (full-time) person employed, and growth in productivity will be determined by the relative change in GVA and those employed. Whether productivity moves in line or out of line with population trends is not particularly informative.
21	Finding: The figures for the income tax forecast in 2018 and 2019 have been increased by £8 million to £10 million each year, because of an accounting adjustment.	The changes for accounting for current year basis (CYB) taxation is in accordance with accounting standards and represents real income sitting in the States’ bank account. The adjustment to the forecasting is needed simply because the forecasting model works on the basis that all income is prior year basis (PYB). Appendices to the Budget 2018 clearly illustrate the breakdown of income tax forecasts.
22	Finding: By 2021, on present projections there will have been little or no growth of real-term earnings of Islanders in the last decade.	The squeeze on real earnings experienced in Jersey in the immediate aftermath of the global financial crisis was common across other economies and was driven by factors outside the Island’s control. However, real earnings have increased in each of the last 5 years. FPP economic assumptions for 2019 and beyond are only trend assumptions rather than indicators of performance in each year. Even if these are taken as forecasts of earnings and inflation in each year, real earnings in the 10 years including 2021 will have increased slightly.

RECOMMENDATIONS

	Recommendations	**To**	**Accept/ Reject**	**Comments**	**Target date of action/ completion**
1	Recommendation: The review of the personal tax system, which is currently underway, should be completed before the 2019 Budget is lodged.	T&R	Rejected for this target date	The review of the personal income tax system is a major review which might ultimately result in recommendations to make fundamental changes in the personal income tax system. To complete this review (including full public consultation) and bring forward legislative changes in the 2019 Budget (lodged in autumn 2018) is unrealistic, particularly in light of the election timetable. Proposals will be brought forward for consultation by Budget 2019 to be implemented by Budget 2020.	
2	Recommendation: The review of the personal tax system, which is currently underway, needs to include modelling for variances to the marginal and standard rates of tax.	T&R	Accept	The review of the personal income tax system will include modelling the impact changes to the marginal and standard rates of tax.	December 2018
3	Recommendation: The threshold at which a person becomes a net positive financial contributor should be assessed, as part of the calculations that the Minister for Treasury and Resources has agreed to conduct as part of reviewing the personal tax system and model. This should also take into account any subsidies towards State pension contributions and the impact of any future population policy.	T&R	Reject	As part of the review of the personal income tax system, the interaction between the benefits system and the income tax system will be considered to help analyse what allowances might be appropriate to be included within an updated personal income tax system. The scope of the review does not extend to social security contributions, which are currently subject to a review by the Minister for Social Security.	

	Recommendations	To	Accept/ Reject	Comments	Target date of action/ completion
4	Recommendation: The Minister for Treasury and Resources should identify a mechanism in time for the 2019 Budget, whereby historical agreements with high value residents are renegotiated to introduce a minimum increase in taxation, in line with RPI.	T&R	Reject	As indicated above, this recommendation is based on a finding which misunderstands how the HVR regime has operated historically. It would not be: (i) reasonable to reconsider grants of housing rights already made using a higher benchmark than originally used; or (ii) legally advisable to force existing HVRs into the tax regime applying for new HVRs from 2018 onwards, when the expected minimum income tax liability may increase periodically and an income tax top-up mechanism will apply to ensure that the expected annual minimum income tax contribution is paid, even where their actual taxable income is insufficient to generate that level of income tax.	
5	Recommendation: The Minister for Treasury and Resources should recommend to the Council of Ministers, that they should urgently address the lack of regulation for companies trading in the provision of credit/finance to customers.	T&R	Accept	It is recognised that legislation and regulation in this area would benefit from being updated. Financial Services staff have met with the Consumer Council and interested parties, with a view to strengthening their existing voluntary code, noting that some providers are not signed up. Further resource will be devoted to this area during the second half of 2018.	December 2018
6	Recommendation: The Minister for Treasury and Resources should publish the full assessment undertaken as to the impact of the change to the definition of "financial services company".	T&R	Accept – already done	Appendix 11 of the 2018 Budget Statement contains economic and distributional impact analysis of the widening of the definition of "financial services company" contained within the 2017 Budget.	Complete

	Recommendations	To	Accept/ Reject	Comments	Target date of action/ completion
7	Recommendation: The Minister for Treasury and Resources should accelerate the work being done on correcting the anomaly in Stamp Duty legislation, and ensure that this anomaly is addressed with effect from 1st July 2018.	T&R	Rejected for this target date	Recommendations for possible changes regarding "enveloped" Jersey real estate will be prepared in time to be considered by the new Minister for Treasury and Resources in advance of the lodging of the 2019 Budget (lodged in autumn 2018). It is unrealistic, particularly in light of the election timetable, to complete the review, draft and lodge legislation, and have the changes enacted, by 1st July 2018.	Budget 2019
8	Recommendation: Given that Jersey's tax system is traditionally seen as "low, broad and simple", the Minister for Treasury and Resources should be mindful of the dangers of complicating the tax system in his review of the personal tax system.	T&R	Accept	The long-term tax policy principles agreed by the States Assembly in the Strategic Plan 2015–2018 are – • Taxation must be necessary, justifiable and sustainable. • Taxes should be low, broad, simple and fair. • Everyone should make an appropriate contribution to the cost of providing services, while those on the lowest income are protected. • Taxes must be internationally competitive. • Taxation should support economic, environmental and social policy. The Minister considers and balances each of the policy principles when considering making changes to the Island's tax system.	December 2018
9	Recommendation: The Minister for Treasury and Resources should examine options for bringing those of the taxpaying population currently on a prior-year basis of taxation, onto a current-year basis of taxation.	T&R	Accept	Steps have already been taken to move personal taxpayers between the prior-year payment basis cohort and the current-year payment basis cohort. Most clearly a legislative change was included in Budget 2017, which moved a number of personal taxpayers on to the current-year payment basis (*see* page 16 of the Draft Budget Statement 2017[3]). During 2018 the Taxes Office will review a number of options for encouraging personal taxpayers to move from the prior-year payment basis to the current-year payment basis voluntarily.	December 2018

[3] https://www.gov.je/Government/PlanningPerformance/BudgetAccounts/Documents/Draft%20Budget%20Statement%202017%20-%20FINAL1.pdf

	Recommendations	To	Accept/ Reject	Comments	Target date of action/ completion
10	Recommendation: The Minister for Treasury and Resources should explore the possibility of fixed, long-term impôts duties on tobacco.	T&R	Accept	One of the action points arising from the States of Jersey Tobacco Strategy 2017–2022 (R.129/2016) is to: "Agree with the Treasury and Resources Department an appropriate minimum annual above inflation price/tax escalator over the next five years.". The issue of a tobacco duty escalator should be considered by the new Minister for Treasury and Resources as part of the process of putting together the next Medium Term Financial Plan.	Consider ahead of Budget 2019
11	Recommendation: The Minister for Treasury and Resources should commence planning for the loss of road fuel duty revenue due to the increase in the number of electric and hybrid vehicles.	T&R	Accept	The Minister for Treasury and Resources acknowledges that the increasing purchase/ usage of electric and hybrid vehicles will ultimately result in reducing road fuel duty revenue at some point in the future. The Minister for Treasury and Resources agrees with the Corporate Services Scrutiny Panel and recommends that the next Council of Ministers commences planning for the fact that road fuel duty revenues will start to reduce at some point in the future as part of the process of putting together the next Medium Term Financial Plan.	Consider for MTFP3
12	Recommendation: Planning for the eventual loss of road fuel duty should include considerations for a phased removal of revenue (for example over a 10 year period) for the purposes of estimating revenue receipts for budgetary and planning purposes.	T&R	Accept	The Minister for Treasury and Resources agrees that as part of the planning process noted above, work will need to be undertaken to estimate the future profile of road fuel duty revenue.	Consider for MTFP3
13	Recommendation: The Minister for Treasury and Resources should examine other means of measurement for Vehicle Emissions	T&R	Accept in principle	The aim of Vehicle Emissions Duty is to lever car-purchasing behaviour towards vehicles that emit lower carbon dioxide emissions. VED focus on emissions of carbon dioxide (CO_2) as these are potent greenhouse gases that cause anthropogenic climate change. Jersey has committed to reducing	December 2018

	Recommendations	To	Accept/ Reject	Comments	Target date of action/ completion
	Duty, to ensure that CO_2 is still the most effective means of taxation in relation to the health effects of car emissions on the population.			CO_2 emissions by requesting the extension of the International Convention on Climate Change to Jersey through the UK, and by the adoption of Kyoto Protocol carbon reduction targets. These are translated into local actions in *Energy Plan for Jersey: 'Pathway 2050'*, (P.38/2014), adopted by the States Assembly in 2014, which aims to reduce the Island's carbon dioxide emissions by 80% by 2050, compared to a 1990 baseline. Action Statements 11–15 in the Energy Plan outline the policy levers designed to reduce carbon emission from vehicles, and VED is an important one of these. The Energy Plan will continue to focus on the delivery of these Action Statements to achieve our carbon reduction objectives. The health effects of traffic are less attributable to carbon dioxide emissions, the focus of VED, but more to particulates and other gases like carbon monoxide and NOx which also arise from the combustion of hydrocarbon – diesel vehicles being especially problematic in this regard. VED does partially contribute to reducing the emissions responsible for reducing air quality as ultra-low (carbon) emissions vehicles are either very fuel efficient (so have fewer overall emissions), or are partially or fully electric, thus avoiding the particulate and other emissions arising from the combustion of hydrocarbons. By switching to electric vehicles rather than petrol or diesel vehicles, both the carbon and air quality objectives can be fulfilled. However, to address the negative health effects of traffic emissions in the short term, other policy levers must be pursued alongside VED. There is work underway in the Department of the Environment to accurately monitor air quality and to identify and monitor specific air quality 'blackspots'. The Department for Infrastructure continue to address the congestion and travel patterns which can exacerbate the build-up of particulates or other emissions which lower air quality. To address the health impacts of traffic emissions, the most immediate policy levers are a combination of 'cleaner vehicles' (incentivised through VED), better transport	

	Recommendations	To	Accept/ Reject	Comments	Target date of action/ completion
				planning and spatial planning to reduce vehicle use; lower congestion; and thus idling times to mitigate the impact of the resulting emissions on pedestrians. The Minister for the Environment commits to meeting the Minister for Infrastructure in 2018 to discuss the range of policy levers being implemented across both Departments, and to assess where action should be prioritised. A particular challenge that has been identified is that of small engine diesel vehicles, which are especially polluting because their filters are less effective on short local journeys. It may be that VED (or other policy levers like fuel duty) can be better targeted to disincentivise diesel cars in particular, and this will be explored.	
14	Recommendation: The Minister for Treasury and Resources should propose new, more accurate ways, by which to calculate the funding required for capital projects, before the 2019 Budget.	T&R	Accept	The Minister shares the importance placed on understanding the difficulties of estimating capital project costs in the current market conditions, and the government continues to look at innovative construction and procurement techniques, such as modular builds where pre-fabricated materials can be imported, thereby reducing costs. Where necessary, off-Island providers will be considered in order to ensure value for money for the taxpayer. The Sewage Treatment Works and Future Hospital projects demonstrate an evolution in approach to align budget allocations with the cash-flow requirements of the projects. Proposed changes to the Public Finances (Jersey) Law 2005, and how capital allocations are to be managed, will help with lowering the levels of unspent capital at the end of each year, working more on a cash-flow model rather than allocating the full requirements in Year 1.	December 2018

	Recommendations	To	Accept/ Reject	Comments	Target date of action/ completion
15	Recommendation: The Minister for Treasury and Resources should make public, where possible, the preparatory work being conducted in anticipation of Brexit and its effect on future Budgets.	T&R	Accept	Almost £2 million has been allocated, and a further £1.4 million is currently earmarked to 2019, to ensure that the interests of Jersey are protected through this uncertain period. The Treasury Department and the Minister for Treasury and Resources are fully engaged with activity being undertaken by the Ministry of External Relations, and across the States, regarding Brexit, which is receiving a whole-government policy response. In government, regular updates are provided to the Council of Ministers and the Financial Services and External Relations Advisory Group. Additionally, the Minister participates in the work of the Brexit Ministerial Group, which provides co-ordinated consideration of the potential implications of the UK's decision to withdraw from the EU, while senior Treasury officials participate in the Brexit Working Group, which is the main government-wide co-ordination forum for officials for all matters relating to Brexit. Elsewhere, the States are provided with regular flows of information, and have received 3 Brexit-dedicated Reports (one of which accompanied a Proposition) – • R.72/2016, presented to the States on 27th June 2016; • P.7/2017, lodged *au Greffe* on 31st January 2017 and adopted by the States on 15th February 2017; and • R.87/2017, presented to the States on 18th July 2017, and have received numerous briefing sessions on matters central to Brexit. Wider stakeholder engagement has also taken place through the ongoing *Let's Talk Brexit* campaign, which has included surveys of Jersey residents and businesses.	Ongoing

	Recommendations	To	Accept/ Reject	Comments	Target date of action/ completion
16	Recommendation: The Minister for Treasury and Resources should produce income figures for the period of the MTFP2 which removes all accounting adjustments and all budget measures introduced during that period, in order to demonstrate the underlying trend of changes in income.	T&R	Reject	The changes for accounting for current year basis taxation is in accordance with accounting standards and represents real income sitting in the States' bank account. The adjustment to the forecasting is needed simply because the forecasting model works on the basis that all income is prior-year basis. It affects every year and therefore is not masking any underlying trend. Appendices to the Budget 2018 clearly illustrate the breakdown of income tax forecasts, and are sufficient to understand the changes over the period. Therefore the recommendation is unnecessary.	