Government of Jersey
Union Street | St Helier | Jersey | JE2 3DN

Deputy Helen Miles
Chair – Corporate Services Scrutiny Panel

BY EMAIL

28 October 2025

Dear Chair,

**Corporate Services Scrutiny Panel**

**Proposed Budget 2026-2029 Review – Written Questions**

Further to your letter dated 20 October 2025, please see below in answer to the Panel's questions.

**Revenue Heads of Expenditure and Service Level Analysis**

***1. The Treasury and Exchequer is projected to earn £5,192 million of income through operations in 2026. Please could you provide detail about the source of this income?***

Income arises as a result of staff recharges within both the investment and pensions teams to their respective funds, alongside a Revenue Jersey staff recharge to the Social Security fund.

***2. Are you confident that the departmental allocations as outlined within the Table 5i are sufficient to deliver the key services and policies in 2026?***

I am content that the allocations above are sufficient to deliver the key priorities of the department, although some lower priority activity may be deferred or progressed at a slower pace.

***3. Is the Treasury and Exchequer experiencing resourcing or staffing challenges, how might these affect service and project delivery and what steps are being taken to alleviate any pressures identified?***

To fulfil its function, the department employs a number of professionals including specialists, whose services are in great demand both in Jersey and internationally. Recruitment can be challenging, but the department uses a number of recruitment techniques to ensure that high quality candidates are sourced.

A new microsite for Treasury and Exchequer careers, hosted on the careers.gov.je page, was launched in the spring of 2025. Despite limited recruitment activity due to the ongoing recruitment freeze, a recent trainee accountant recruitment campaign attracted an unprecedented number of high quality applicants. 75 applications were received, and whilst the recruitment process is still ongoing, we expect all vacancies to be filled.

The department is committed to reprioritising its work to fit within the available resource and expects to continue to deliver its key objectives.

***4. Could you provide, in a table format, the number of staff employed and open vacancies as of 30th September 2025 for:***

***a) Finance Business Partners, Analytics and Management Information***
***b) Commercial Services***
***c) Corporate Costs***
***d) Finance Hub***
***e) Risk and Assurance***
***f) Revenue Jersey***
***g) Strategic Finance***
***h) Treasury and Investment***

| | FTE | Headcount | Vacancies |
|---|---|---|---|
| Finance Business Partners, Analytics and Management Information | 63.54 | 64 | 1 |
| Commercial Services | 23 | 23 | 0 |
| Finance Hub | 68.21 | 71 | 0 |
| Risk and Assurance | 14 | 14 | 0 |
| Revenue Jersey | 155.9 | 159 | 3 |
| Strategic Finance | 30.85 | 32 | 2 |
| Treasury and Investment | 15.73 | 16 | 1 |
| **Total:** | **371.28** | **378** | **7** |

*Open vacancies are classed as only those vacant roles that are currently out for recruitment.
*There are no FTEs within Corporate Costs.

***5. Please could you provide a more detailed breakdown of the following expenditure, as detailed in the statement of comprehensive net expenditure for the Treasury and Exchequer:***

***a) Staff Costs***
***b) Other Operating Expenses***
***c) Impairments***
***d) Finance Costs***

| **£'000** | **Staff costs** | **Other operating expenditure** | **Impairments** | **Finance costs** | **Total** |
|---|---|---|---|---|---|
| Finance Business Partners, Analytics and Management Information | 4,058 | 200 | - | - | **4,258** |
| Commercial Services | 2,801 | 200 | - | - | **3,001** |

| | | | | | |
|---|---|---|---|---|---|
| Corporate Costs | -1,208 | 321 | - | 1,249 | **362** |
| Finance Hub* | 4,486 | 2,348 | 5 | - | **6,839** |
| Risk & Assurance | 1,515 | 379 | - | - | **1,894** |
| Revenue Jersey | 15,416 | 875 | - | - | **16,291** |
| Strategic Finance | 3,479 | 555 | - | - | **4,034** |
| Treasury and Investment** | 1,817 | 13,276 | - | - | **15,093** |
| **Total** | **32,364** | **18,154** | **5** | **1,249** | **51,772** |

*Finance Hub includes Shared Services and Pensions team, with the main element of the other operating expense budget being £1.894m within Pensions Administration team , with costs fully recharged to the Fund, mainly for specialist resources and software upgrades to the Pensions systems, with the remaining £454,000 being within Shared Services for software premiums (Blackline, ICAR Civicia), with the impairments line covering any bad debts write offs required.

**Treasury & Investment includes the individual areas of: Investments, Shareholder Relations and Insurance with the main element of the other operating expense budget being £13.083m for Insurance Premiums.

**<u>Savings Proposals</u>**

***6. In respect of Table 50 for the savings proposals related to the Treasury and Exchequer, can you provide further detail on from what sections and how the roles savings will be achieved and the impact thereof on service delivery for 2026?***

The department, being fully mindful of its allocated roles savings target in 2026, is ensuring any actions taken in 2025 in respect of vacancy management are reflective of this target.

We will look to use tools such as removing vacancies or not replacing staff that leave, to minimise the human impact of the savings. We may need to reconfigure services, and will continue to look to identify extraneous activities, improve efficiency, and ensure that our processes and governance are proportionate.

The detailed planning commenced in quarter 3 of 2025 which is identifying those opportunities to achieve this target. With the support of the HR Business Partner, discussions have commenced with the Senior Leadership team to develop its formulisation.

**<u>Winding Up of Funds</u>**

***7. It is proposed that essentially redundant States Funds be wound up. Please can you provide the rationale for reaching this decision and the impact thereof in respect of the following funds:***

- ***Jersey Innovation Fund***
- ***Hospital Construction Fund***
- ***Assisted House Purchase Scheme***
- ***99-year Leaseholders Fund***

The Fiscal Policy Panel have previously recommended (in their annual report) that the objectives of States Funds are reviewed, this was reiterated by Scrutiny in their Government Plan 2024 – 2027 Review.

As part of the ongoing work to review States Funds, Budget 2025 included an updated policy for the Strategic Reserve Fund. Budget 2026 includes the proposal to close States Funds that are no longer active. This includes the Jersey Innovation Fund, Hospital Construction Fund, Assisted House Purchase Scheme (AHPS) and 99-Year Leaseholders Fund (99YLF).

The Jersey Innovation Fund and Hospital Construction Fund are no longer operational, and will be closed with balances transferred to the relevant fund as outlined in Table 3, on page 105 of the Budget.

The rationale for the AHPS and 99YLF have in effect fallen away, and remaining loans and balances are being transferred to the Dwelling House Loan Fund. This means that all legacy housing loans can be managed through a single fund.

Closure of these inactive Funds is a housekeeping exercise to rationalise the number of States Funds, reducing complexity and administrative requirements.

**<u>Major Projects</u>**

***8. For the Major Projects shown in the table, please can you provide the following detail:***

***a) The breakdown of spend for the 2026 allocation and its impact.***

<table>
<tr><td>£’000</td><td>2026 Allocation</td><td>Impact</td></tr>
<tr><td>Revenue Transformation Programme (Phase 3)</td><td>1,108</td><td rowspan="2">Programmes enable adaptation for digital tax systems to take account of changes in tax legislation including the adoption of independent taxation.</td></tr>
<tr><td>Revenue Transformation Programme (Phase 3)</td><td>3,322</td></tr>
<tr><td></td><td></td><td>Programme will support the necessary IT infrastructure required and the setup costs associated with implementation.</td></tr>
<tr><td>Pillar 2 Implementation</td><td colspan="2">5,350</td></tr>
</table>

Implementation of a new Pillar Two system which allows:

- Taxpayers and their agents to comply with their obligations under the legislation.
- Revenue Jersey to administer the new tax and monitor compliance.

Key components for 2026:

- A new portal for Jersey organisations to access GoJ digital services.
- A new Pillar Two digital service for organisations which allows them to file MCIT returns and make payments.

***b) Any concerns or challenges anticipated to deliver on the project objectives as outlined for 2026.***

Revenue Transformation Programme (RTP) Phase 3 has achieved its objectives and is now in closure. RTP Phase 4 key project now focusses on the delivery of Independent Taxation, the primary challenge being to meet the requirements of joint filing and rebuilding the Personal Taxation return. Both aspects are currently progressing well.

Pillar 2 is a complex programme of work which includes a range of risks we understand and are actively mitigating. Key challenges include:

- Availability of skilled resources within Jersey
- Securing sufficient input from taxpayers and tax agents across Jersey in user research activities
- Management of dependencies between teams.

***c) Whether you are confident that the total project spend will be sufficient to meet the intended aims.***

I am confident that total spend will be sufficient for RTP 3 and 4 and for Pillar 2.

***d) Any mitigation measures in place for 2026 for potential risks.***

For RTP 3 and 4 no mitigation measures are required.

Given the complexity of the Pillar 2 programme, mitigation measures have been implemented which include:

- The adoption of industry-standard delivery approaches towards building software for users
- User-centred approach where we co-create solutions with users, for users
- Engagement of a skilled local delivery partner to augment our existing resources.

## Changes to Project Approvals

***9. For the changes to project approvals shown in the table, please can you outline the rationale for these changes?***

Monies transferred between RTP 3 and 4 are net nil but allow RTP 3 to close, having met its defined deliverables.

## Revenue Expenditure Growth

***10. For the Revenue Expenditure Growth listed can you provide further detail on the breakdown of spend for the 2026 allocation and the impact thereof?***

***a) Do you have any concerns or anticipate any challenges in respect of this and, if so, what steps are being taken to address these?***

| Revenue Expenditure Growth | | | | | |
|---|---|---|---|---|---|
| £'000 | | 2026 | 2027 | 2028 | 2029 |
| Reference | Description | Estimate | Estimate | Estimate | Estimate |
| I-T&E-B26-001 | Pillar 2 Tax Team | 1,748 | 2,998 | 2,680 | 2,685 |
| **Total** | | **1,748** | **2,998** | **2,680** | **2,685** |

Please note that the figures in the table on page 58 of the Budget Annex are incorrect, the correct figures are included in the above table, and the Budget Annex will be updated accordingly.

For a further breakdown I refer you to the business case which has been provided to Scrutiny.

**Civil Penalties for Incorrect GST Returns**

***11. The Budget proposes to expand the civil penalty regime to cover GST returns, please can you briefly outline the rationale behind this proposal and the impact on Treasury or otherwise?***

There are existing civil penalty provisions in the GST Law. These penalties use different terms and are applied on a different basis to other tax types. This has led to complexity, inconsistency and is a source of confusion for those impacted. The proposal is to replace the existing GST civil penalties.

The report accompanying the Revenue Administration (Jersey) Law 2019 ("the RAL") when it was first lodged stated that the RAL would be introduced in tranches, and that it would be built upon in future Budgets.

The existing civil penalty regime in the RAL provides a clear framework in which penalties are applied for tax returns that are materially incorrect. The level of penalty depends on whether the error was careless or deliberate. The law also provides that penalties can be mitigated (e.g. when good cooperation has been shown during an audit) and increased (e.g. for repeated errors). This regime is supported by Revenue Jersey's Code of Practice on compliance activities.

Currently, the civil penalties apply in respect of income tax returns but not GST returns. Extending the civil penalty regime to GST will ensure there is equity across the tax types for the same non-compliant behaviour. The transparent framework should help GST taxpayers better understand what may happen during an audit and when a penalty might be due.

In terms of the impact on the Treasury, no additional resources will be needed as the penalties will be administered by the existing GST team. There are negligible impacts expected on revenue, on the basis that these civil penalties are replacing the existing GST penalties.

**Review of International Services Entity (ISE) fees**

***12. Can you briefly explain the rationale and implications for this future tax measure?***

The Government of Jersey has committed to reinvesting revenues from the introduction of Pillar Two to enhance the competitiveness of the financial services industry, which remains central to the Island's economy. As part of this commitment, a review of ISE fees was announced in Budget 2025.

Stakeholder representations in 2025, particularly from the funds industry, have identified two main areas where the ISE regime could be improved: one administrative and one policy based.

Administrative simplification: The annual ISE return form, which requires filers to declare entities according to their JFSC licences and permissions, assumed a high level of familiarity with the regime and new or junior staff at financial services providers were having difficulty navigating it. In response, a new version of the form was introduced in 2025 as a “quick win” of the review and was refined further with feedback from the funds sector throughout the year. The revised form provides clearer guidance and better contextual information, making the process significantly more user-friendly. We are continuing to engage with stakeholders on further refinements and automations of the form.

Policy review: The more substantive review concerns the classification of ISE fees. The original policy intention was that fully staffed businesses providing fund administration services to a wide client base (administrators) should pay a higher ISE fee than structures that are managed under a service contract (administered entities). However, a subset of entities sits between these two categories—fully fledged fund administrators that operate under another administrator’s licence. There is ongoing debate among industry participants about whether such entities should pay higher or lower ISE fees.

The overarching purpose of the ISE regime was to provide a simplified mechanism for charging GST-equivalent fees to financial services businesses, not to fully or partially exempt them from GST. Any review will revisit this principle to ensure clarity and fairness.

Regardless of whether the current practice is aligned to the original purpose of the ISE regime, we will revisit the level of ISE fees relative to competitor jurisdictions. There may be room to reduce fees without a substantial loss in revenues, or with costs that are within the funding envelope we’ve earmarked to promote competitiveness.

This review forms part of a broader effort to ensure that Jersey’s tax and regulatory framework remains competitive, proportionate, and easy to administer for both businesses and government.

**Domestic Compliance**

***13. Can you confirm how the States Income of £31,500 was met through Increased Collections - Domestic Compliance by Revenue Jersey in 2025 and confirm the certainty of delivery of the same amount in 2026?***

The 2024 Revenue Jersey Compliance Programme slightly exceeded its £31.5 million forecast. The Comptroller tells me that the 2025 Compliance Programme will not be completed until the end of the year and that it is broadly on track. Actual out-turn will depend upon the rate at which Revenue Jersey settles additional assessments with taxpayers over the next two months.

Additional yield from the annual compliance programmes largely arises from additional income tax assessments arising from under-declarations in earlier years and related penalties. This measure of additional assessments is the narrowest financial measure of the effectiveness of Revenue Jersey’s Compliance Programme: other activities within the Programme prevent revenue losses in real time (during the process of assessing 2024 income tax); scrutiny and correction of repayment claims; and the wider deterrent and preventive impact of running such programmes. The Compliance Programme for 2026 is currently being constructed and aims to continue to achieve the ongoing forecast of £31.5 million over the life of the Budget and Government Plan.

**Administrative Tax Measures**

***14. The Budget proposes a list of administrative and technical measures to be included in the Draft Finance (2026 Budget) (Jersey) Law (Appendix 4). Can you provide the rationale for deciding to include those listed for 2026 and further detail on their impact?***

Each year, a number of technical and administrative items are proposed in the Draft Finance Law. These changes typically arise from stakeholder input on specific areas of the law, court cases, engagement with other Government departments, and internal reviews of the revenue laws. The rationale for each specific amendment is included in Appendix 4 of the Budget 2026-2029.

Where possible, administrative and technical amendments are included in the first Finance Law after they are identified to ensure all revenue laws remain as up to date as possible. Along with Revenue Jersey, I prioritise identified items in accordance with urgency and impact on resources; those that cannot be actioned in the year in which they are identified are revisited in the following years.

Most of the administrative and technical measures are not changes to policy so their impact is usually limited.

Yours sincerely

Deputy Elaine Millar
Minister for Treasury and Resources

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