Treasury and Exchequer
Comptroller of Revenue

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Government of JERSEY

Prior Year Basis Tax Reform

Dear First Name Surname

On 4 November 2020, the States Assembly agreed to move all Prior Year Basis (PYB) taxpayers to a Current Year Basis (CYB) of paying taxes. This tax reform has been accelerated to help people who might otherwise struggle over the next few years due to financial impacts of the pandemic.

This year's tax payments

The payments you have made in 2020 (originally for your 2019 tax bill) will be 'transferred' to instead pay your 2020 tax bill. Your 2019 tax bill will be frozen and paid in the future.

To confirm your 2020 tax bill, and whether you'll have a balance to pay or a credit, we need to receive and assess your 2020 tax return next year.

All customers who have had a lower income in 2020 than in 2019, and whose tax payments have not covered their 2019 tax bill, are not required to pay the 2019 outstanding balance at the end of this year.

If you make payments on account

People who pay their tax in two 'payments on account' through the year rather than by the Income Tax Instalment Scheme (ITIS) **do not need to pay** the balance of their 2019 bill in November but can if they wish to do so. These taxpayers will next need to make a payment by 31 May 2021.

If you pay by ITIS

Provisional ITIS rates for 2021 are being posted to all employees – but these **do not** reflect your move to CYB. You should use this rate until you receive your first 'CYB' ITIS rate, after we've assessed your 2020 tax return next year.

For full information on the changes please visit **gov.je/taxreform.** Printed information is also available from Citizens Advice and the Library.

The following information guides you through what will happen over the next few months.

4 steps to becoming CYB

We have 4 steps to complete for you to become a CYB taxpayer, and before we can confirm whether you will have a credit or balance to pay for 2020.

Step 1
We will complete all 2019 return assessments, which will confirm the amount of tax that will be frozen.

Step 2
We will make the 'switch over' and you'll become a current year taxpayer. Changes will be made to our records to move all the payments you have made to cover your 2019 liability, towards your 2020 tax bill.

Step 3
From January 2021 you can file your tax return. This is a key step. We need all the information in it, about your income and any allowances you may be eligible for, so we can assess the tax due on your 2020 income.

You're encouraged to file online, as it helps to speed up the assessment process, avoiding the need for your tax return to be manually input.

Step 4
In February 2021, we'll start assessing returns for former PYB taxpayers, in 'date received' order, checking the tax you paid in 2020 against the tax owed for 2020. We'll send you your assessment, and if you pay by ITIS, a revised 'CYB' rate will also be included.

We can't complete Step 4 until we have your 2020 tax return, so if you're keen to get certainty on whether you have a balance to pay or a credit for 2020, complete your 2020 tax return as early as possible, and if you can, **file online.** Find support with preparing to file online at **gov.je/mytaxreturn.** If you didn't file online last year, you'll still receive a paper return, but you'll have the option to switch to online filing.

If you are in credit on your account

We won't know if you have a credit on your 2020 tax until we have assessed your 2020 tax return. If your transferred payments have overpaid your 2020 tax, you will receive a NIL balance to pay on your 2020 tax bill. If you pay by ITIS you will automatically get a reduced ITIS rate and you don't need to take any action.

Alternatively, rather than reducing your ITIS rate, or if you pay on account, you can request:

1. A refund of the credit
2. Any credit goes towards your frozen 2019 tax liability.

How to confirm your 2019 frozen liability

Your 2019 tax liability is stated on your 2019 tax assessment. If you have not received your assessment, please wait for it to be completed and posted to you. Please don't call us to find out this amount, as we will only know it once your assessment is complete and we post these to you as soon as they are done. There are currently around 7,000 2019 returns left to be assessed and we are working to get most completed by the end of the year.

Phase 2 of PYB Tax reform

You will eventually have to pay your 2019 liability off, but you will have nothing to pay until 2025. It's likely, under the Minister for Treasury and Resources' proposals, that you will then have a choice of two ways to pay. You will not be asked to make a choice until 2022 at the earliest. However, if you want to make a lump sum payment to clear your 2019 liability, rather than defer the payment, you may do so from February 2021.

Payment Option A
Payment by 2042 using a 20-year Payment Plan. The plan will start in 2022, but you don't actually have to start making payments until 2025.

Regular payments would be expected and options to pay monthly would be available. You can pay your 2019 bill off over a shorter period than the 20 years if you wish.

Payment Option B
Payment when you reach States Pension Age using your own existing financial arrangements or putting new arrangements in place. You will be asked to provide evidence of the arrangements you have in place and the payment would be due within 12 months of you reaching States Pension Age.

We'll provide a form (online and paper) for you to make your Option choice.

Keeping you informed

Work is well underway, using public focus group findings and other feedback, to finalise the Regulations that will govern options for paying your 2019 liability. The Regulations will be debated by the States Assembly in early 2021 and we'll keep you updated using social and main-stream media.

Yours faithfully,

Richard Summersgill
Comptroller of Revenue