



PYB Tax Reform Focus Groups Report

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Executive Summary

4insight was commissioned by Revenue Jersey, the Government of Jersey to undertake independent, professional research into the perceptions and expectations of the ongoing development of local tax policy about Prior Year Basis (PYB) taxpayers potentially moving onto a Current Year Basis (CYB). Revenue Jersey conducted a survey in August 2020 around this potential PYB tax reform and some of the results from this were presented as stimulus within the focus groups.

Thirteen focus groups were conducted between October 6th to 21st 2020 with a reasonably broad representative sample. The topline findings from these focus groups, verbally delivered October 22nd informed the Minister for Treasury and Resources, and her Treasury team about how PYB taxpayers would be impacted. These topline findings, along with some individual representations, plus the In-Committee debate held on October 20th led the Minister to understand the need for greater flexibility and personal choice in the payment terms to be offered. This resulted in changes being made to the payment term options before the debate in the States Assembly on Proposition P.118/2020 on November 3rd. The Assembly voted to accept the Tax Reform move from PYB to CYB.

Thus this report on the focus groups about PYB tax reform is historical to a certain extent as plans have evolved considerably from the initial proposals researched.

Generally, the focus group respondents **agreed with the principle of moving from PYB to CYB, however strongly disagreed** with the initial timings and payment terms, (5 or 10 years, monthly, quarterly or annually). They felt very strongly that Islanders should not be financially disadvantaged and forced into 'debt' due to the payment terms of the 2019 liability by the Government. Those who had never been in debt and carefully managed their finances had their values and beliefs violated.

"I've never been in debt, it's something I've never wanted, this debt is being forced upon me."

There were different opinions regarding the tax reform proposition depending on their personal circumstances and stage of life. There were misperceptions of the financial impact as well as mixed awareness on the payment start dates and payment processes. All respondents were against interest being charged on late payments. There were mixed opinions on incentives for lump sum payments. Most respondents felt that a write-off would be beneficial for them personally, however was both **unrealistic and unfair**, especially in the current pandemic situation. Fundamentally they all felt there **should be flexibility and choice** over when and how the tax liability was paid off. There was an overall call for an affordability test of some sort, but respondents felt it should not be too onerous or intrusive.

Overall, respondents wanted the payment system (primarily digital) to be self-managed, as simple as possible and to cater for all individual needs and circumstances.

There's an opportunity to use clear simple messaging of any forward plans to build trust.

Research Aim and Objectives

The research **aim** was to provide independent and impartial deep understanding of Prior Year Basis, PYB taxpayers views on potential PYB tax reforms and systems.

Specific **objectives** included:

- identifying views on PYB Regulations content, including
 - payment start date
 - how many years the payment is to be spread over, 5 or 10 years or at retirement
 - % minimum liability requirements, monthly or quarterly
 - early settlement discount, terms & timings
 - interest due on late payments
- exploring affordability testing and all the logistics involved; systems, timings, evidence etc
- discovering views of exemptions, payment holidays and overall exemptions
- exploring perceptions and expectations if islanders leave the island
- ascertaining views on debt collection, interest charges if late paying, potential to switch between payment plans
- exploring views on service design including:
 - methods of payment, sign up process, customer account access, plan switch processes, annual statements of account, confirmations and closure process

The **outcome** provided insights and key information informing the Amendment debate and helped develop and finalise the Regulations based on in-depth PYB islanders views from these focus groups, in addition to the survey results. The findings also provided key insights to help with developing the service design elements of any PYB taxpayer's repayment plans.

Scope and Methodology

Potential focus group respondents were mainly sourced following Revenue Jersey's survey, where 400 islanders had offered to participate in the follow-on focus groups. They were sent an invitation and completed a 4insight designed screening online link which covered all the key recruitment criteria and profiling information addressing the social demographics. All this completed information was reviewed and PYB taxpayer potential participants were selected to ensure a good demographic mix was achieved in each PYB focus group. 4insight supplemented these 48 participants with 2 women PYB taxpayers as there were not many low income women who had completed the survey and screening link.

4insight excluded any respondents who were non taxpayers, or Current Year Basis taxpayers (excluded from PYB groups) or had immediate family who are Tax/Revenue employees, media, politicians, or those actively politically lobbying, (1).

To explore the objectives and key questions achieving depth understanding from BOTH the rational and emotional perspective of potential PYB tax reform it was essential to conduct qualitative professional impartial research and the methodology was face-to-face depth focus groups.

4insight conducted **13 focus groups in total** and ensured we included a diverse mix of demographics in each group achieving a reasonable representative sample of PYB taxpayers.

The focus groups were split as follows:

- **10 focus groups with PYB taxpayers**, conducted from 6th to 15th October 2020, with 9 of these respondents who had actually lost their jobs during COVID-19
- 1 CYB taxpayers group held on 19th October
- 2 tax advisers groups, (range of business size), conducted 19th and 21st October

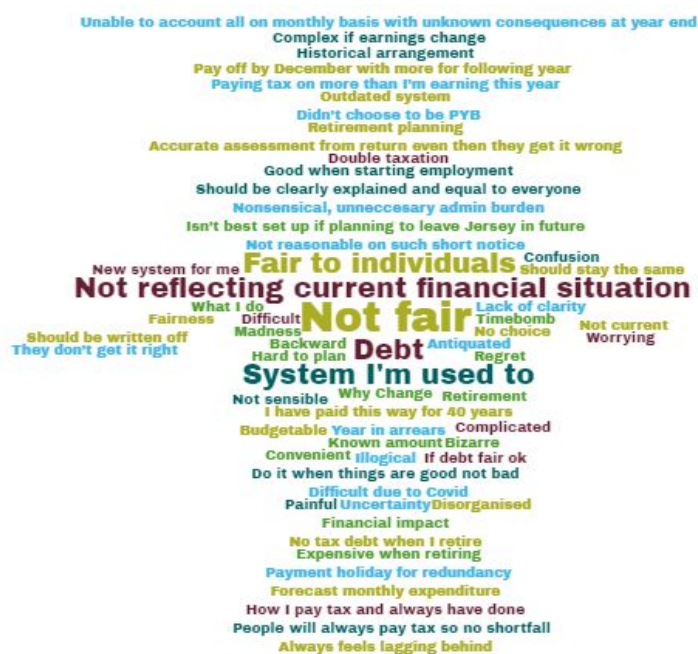
These professional, impartial focus groups were moderated by a senior member of 4insight, initially scene setting that a range of views is acceptable and utilising Neuro-linguistic Programming, NLP throughout to eliminate any potential group think. All focus groups were held in 4insight's observation studio which allowed live viewing through the one-way mirrors by some of the Revenue Jersey team and the opportunity to ask questions prior to each group closing. All focus groups lasted 90-120 minutes and were conducted to an agreed guide which incorporated some projective and enabling techniques, some survey outcome results, and a few potential payment scenarios as stimulus to discussions.

Research Findings

Initial associations - PYB taxpayers

A first word associations projective exercise was initially conducted where participants were asked to write down individually their first thoughts/associations with the phrase, “Paying tax on a prior year basis”.

The resulting word cloud highlighting all these words demonstrates that most associations were mixed, mostly factual or negative. Most commonly it not being perceived fair, debt and confusion emerged.



Overall views on the Amendments and Regulations

Overall, the **PYB respondents agreed with the principle to move all PYB taxpayers to CYB** (the Amendments). However, most of the PYB taxpayer respondents **strongly disagreed with the initial payments terms** (the Regulations), which they perceived forced them into ‘debt’.

There was a clear need for more flexibility and choice with longer payment times, either 20 years or at retirement.

Some suggested that if the money to pay for the COVID debt is needed within a short time frame, then it would be fairer to raise it by other means. For example, increasing tax rates, raising GST, or legalising cannabis and taxing it. They felt the burden should not be placed solely onto the PYB taxpayers.

All of the CYB taxpayers agreed with the proposition. They fundamentally supported the tax reform and thought that, as the 2019 liability is owed by the PYB taxpayer, it should therefore be paid.

All of the tax advisor respondents disagreed with the proposition. They felt that eventually the PYB system will be phased out anyway; so, there is no need to accelerate that process. They suggested increasing GST instead.

Some PYB taxpayers felt there should be further thought into which years' tax should be frozen. Some suggested there should be a choice of which year to pay off, for example, 2020, as this may be more affordable to pay back within the next 15 years. Some examples of the move not benefitting taxpayers given were:

- Nurses working over-time through the pandemic, now being penalised with sudden debt
- Those returning from maternity leave
- Those with career progression and pay increases in 2020

"Why 2019?"

"If you've been affected by COVID and you're on a lower income it benefits you. There's been nothing about how it affects someone like me who's had a substantial pay increase".

All respondents were aware that they were on Prior Year Basis for tax payments before receiving the Minister's letter, however their awareness was mixed as to the proposed start date. About a third perceived it was proposed as 2023, some thought 2021, some 2022 and only four mentioned 2025.

Different personal circumstances affected proposition thoughts

The different personal circumstances and life stage of the PYB taxpayers greatly impacted their perceptions of the potential move to CYB. The research identified distinct segments:

- Young professionals
- Families with young children
- Parents saving/funding university for their children
- Parents emerging from child commitments
- 'COVID-19 casualties'
- Islanders with very tight budgets
- Islanders close to retirement
- Pensioners

Young professional respondents either starting or in the middle of their professional career. They are possibly saving for mortgage or children. They may not have spare disposable income to pay for the liability. Young professionals felt that the proposition does not give much information for those who have had a pay rise in 2020 and have not budgeted for an increase in tax starting in January 2021. Also, their liability being brought forward by 20/30 years could have a significant effect on their choices to buy a property or to even start a family. They struggled to see how the proposition benefited them.

“They’re talking about people who have had a decrease in income this year. What about people that have had an increase in salary?”

Parents with young children have ongoing costs providing for children and possibly live on a tight budget. They may also be saving for future university costs. Parents with young children thought that this year is an awful time to execute the proposition. They have many outgoings at the moment and therefore don't need another one. They are paying for schools, kids, mortgages etc. They do not have the spare income available to pay off this liability whilst potentially saving for house deposits, university fees or retirement.

“It's the biggest problem for people with kids going to school and uni”

“Got kids, 2 and 5, it's a bad time, wages are unlikely to go up to cover it, anyone suffering they should get option to change, shouldn't be forced”

Parents saving/funding university may have saved up long term for children to go to university and not have any spare money with which to pay this bill. These respondents felt the proposition was unfair as many already had plans in place to save for university fees and then pay off their liability upon retirement, some have saved every penny to send a child to university. They cannot find any spare money to pay the liability with right now.

“I am a single earner, 2 children, 1 about to go to uni, saved as much as can for that, planned every penny, it is going to hit me when he goes. 4 years later younger one goes, by the time I got to retirement it was going to be fine”

Parents emerging from child commitments may have used up savings on child commitments such as university or school fees. They may now be looking forward to possible extra money to enjoy life and save for retirement. Parents emerging from child commitments felt that as they have just finished paying for university, school or living expenses for their children, having their tax liability advanced does not help. They thought it would be hard to start saving any income for retirement whilst they have this bill to pay.

‘COVID casualties’ - those highly impacted by COVID19 eg those who have lost their job (9 respondents) or had a significant decrease in income, many self-employed/business owners as well as some new businesses with no history. These respondents benefit from the 2019 tax freezing but are anxious as to paying extra tax in such uncertain times. The respondents affected by COVID had mixed feelings on the proposition. Some felt it would benefit them as they have had a reduced income this year. However, in such uncertain times, some were not sure they would be able to afford an additional bill in the near future.

“Doesn't make sense, income may change significantly, can end up in debt, (whilst) seasonal workers can come in and leave without paying”

“With pressure of COVID people lost jobs, paying double tax is going to be really tough”

Islanders with tight budgets are planning for each and every expense and are unable to afford any extra cost on top. They have also possibly been impacted negatively by COVID19. Respondents with tight budgets felt it would be a real struggle to find extra money to pay this bill. Some felt they could just about afford it but that they would be in serious trouble were any circumstances to change for the worse.

Islanders close to retirement did not seem as heavily impacted by the proposition as they are already saving and planning to pay a lump sum at retirement. They may have the means to pay and be likely to pay a lump sum or just set aside the right amount of money to pay the liability over a number of years. However, they might have a committed finance plan in which they are contractually obliged to remain until retirement. Some respondents who were close to retirement were against the initial payment options as they had plans in place to pay on retirement and this compromises said plans with major financial penalties. They were happy with the current system and very used to PAYE, they do not want to change systems now.

“I'd like to pay when I retire, so I can make choices, I can scale my earnings down or save or just reduce my liabilities compared to the lump as it will be now”

Misperception of financial impact

Overall: Negative until the detail was better understood.

Some respondents may have expressed significant negative emotion/anxiety towards the payment options as they were under the impression that the liability would be much less affordable than it actually is.

Once shown the example figures for some taxpayer scenarios; many respondents felt more confident that they would be able to afford the liability.

“In context I don't think the tax department's proposal is unreasonable as long as there are options in place”

“If we look at the beginning of the scale, £13 a month is not unreasonable over 10 years, people pay more for their monthly Sky bill!”

Awareness and opinions on payment processes

Overall: Misperceptions over payment start date and perceived lack of transparency.

The majority of respondents were aware of the brief outline information of the proposition i.e. freezing of the 2019 tax, payment of the tax liability, switching to CYB. About a third perceived the start date was proposed as 2023, some thought 2021, some 2022 and only four mentioned 2025.

All the groups mentioned a lack of transparency from the tax department. Respondents were unclear about how the system will work, how it will be paid and if there are different options for individuals. Respondents felt that there was a lack of transparency as to whether the change is to cover COVID costs or to benefit taxpayers. Some also mentioned that there is an abundance of information on how those with a decreased income this year will benefit from the reform, but that there was no information on how it will affect everyone else.

Some respondents perceived now as the wrong time to implement the shift due to being in the middle of the pandemic, many alluded to potential further job losses or changes in circumstances causing anxiety regarding debt. The pandemic and the required saving for this bill will also mean there is less money in the Island's economy.

Respondents saw the benefit of the change to CYB, perceiving it fairer and simpler for Revenue Jersey and for the taxpayer for everyone to be on one system, however there was a lack of confidence in the implementation of the change.

"Impossible for them to get it right at the moment, think excellent idea to change to CYB but don't know how they'll do it"

"If I do pay as you go, how accurate is that going to be applied? It will be 6 months behind, I'll be up and down like a yoyo"

Response to payment terms

Overall: Strongly negative over debt worries and impact on personal finances

There was a strong emotive response to the initial payment terms; unfairness, worry, being put into 'debt' meant that values and beliefs were violated.

Most respondents displayed deep upset and anxiety caused by the initial payment terms, they worried about funds to cover unplanned debts and how their individual circumstances will be affected. Many alluded to having planned to pay upon retirement, and therefore being unable to find the funds right now. The impact of having a forced-upon debt was deemed unjust; some even perceived that it might also have a negative effect on the mental health of Islanders.

The majority of respondents opened up about their personal circumstances and how it will affect them. Overall, those who cannot afford it were anxious about how they are going to be able to find the funds.

Parents saving for or paying university/education costs, have been *“saving every single penny”* and simply *“do not have the funds”*.

Those trying to save money to get onto the property ladder and those already with mortgages may have to change their plans. Young professionals who have had a pay rise recently, felt they would be penalized with a new tax rate at very short notice. Professionals who have no expectation for their salaries to rise are unsure how they will be able to cover the additional cost.

Some respondents had financial plans or made investments which incur significant financial penalties if cancelled before the agreed end date (retirement). Some of those close to retirement felt it wouldn't affect them as much as it may have if they were earlier on in their career with younger children, due to having always planned to pay the sum upon retirement.

Those who have lost their jobs, self-employed businesses with no income from this year are extremely worried about paying the liability in such uncertain times.

It was perceived that it was unfair to place COVID costs solely onto PYB taxpayers and not the whole population.

Response to 5 years to plan, payments spread over 10 years with monthly payments

Overall: More flexibility requested and the longer to pay the better

Most PYB taxpayers pushed back on the initial terms of payment and wanted flexibility to pay when it suited them and their personal circumstances.

Overall, respondents preferred 10 years to spread the payment, if 5 years or 10 years were the only choices. The majority of respondents preferred 5 years to plan, with a start date of 2025. A longer period to pay off the liability, eg 20 years and a longer period in which to plan was perceived more manageable and was called for by most respondents. Overall flexibility was called for, having the option to pay long term, or pay a lump sum/s makes it flexible for all with different life events and personal circumstances. Another preferred option was to be able to pay it off at retirement or spread out the payments until retirement.

Survey results response

Thoughts if paying lump sum early

The focus groups participants were shown some of the outcomes from the survey conducted in August as a stimulus for further discussion.

Survey results stimulus 1 - “many, (61%) felt that there should be an early repayment discount for paying in a lump sum, thoughts?”

There was a mix of opinion on discounts for those who pay the lump sum early on. Respondents who agreed felt they needed an incentive to give the money to the Government and alluded to how the money would be of less value in the future. Those who disagreed felt it would be unfair and many would be disadvantaged for not being able to afford the upfront cost. Ideas included working out the value of the money in 10 years and using that as the value of the discount offered.

“Don't think it's rewarding the rich because of inflation it won't be as much money in a few years. Plus it's putting money into the pot now”

“It benefits those that have the ability to do that, don't think it's fair on people who can't”

Thoughts regarding late payment fee

Survey results stimulus 2 - “another outcome of the survey run in August, also showed that 28% felt that there should be interest charged on late payments, thoughts?”.

The majority of respondents disagreed with interest being charged on late payments, this was perceived as unfair on the taxpayers, especially as they may already be under a lot of pressure. There was also an emphasis on the fact that the Government have brought the bill forward from retirement and therefore, to charge interest on late payments would be unfair.

“When government change the goalposts, they can't charge interest that's immoral”

Thoughts regarding survey preferred payment terms

Survey results stimulus 3 - “another outcome from the survey run in August, showed that most preferred a 10-year payment period and a monthly payment scheme”.

The overall outcome from the focus groups called for the same result, if the only options were 5 or 10 years payment period interest free, however there were strong calls for more flexibility and personal choice outside of these options.

Thoughts regarding writing off the tax liability survey result

Survey results stimulus 4 - “another outcome from the survey run in August, was that the most commonly mentioned open ended topic was about writing off the tax liability. Many of those in favour of the idea referred to what Guernsey did.”

Overall, the PYB taxpayer respondents felt that in an ideal world they would prefer the tax to be written off, **however did not expect this to happen and felt it was unfair and unrealistic**. Respondents mentioned a write-off being unfair to those on a CYB who have already paid off their 2019 tax. Some respondents mentioned Ben Shenton’s petition, but felt it was especially unrealistic to write it off given COVID.

Some who were in agreement with writing off the tax felt *“it is just an accounting matter”*, perceiving the government *“wouldn’t actually miss out”* as tax would continue to be collected.

“It worked when Guernsey did it, now it's impossible, totally unfair on CYB”

“Should've been introduced the year of CYB, just inequitable, not fair to those who opted to move to CYB” (write off)

Main exceptions perceived

Overall: Mostly to give flexibility or cater for changes in circumstances.

It was perceived by the PYB taxpayer respondents that the main case for exception from the standard payment terms would be those who have lost their job or had a major change in circumstances.

Respondents felt that those leaving the island should still pay off the debt, or have it taken out of their pension. Although there was an issue perceived of how they could be trusted to pay off their liability before leaving and how this would be ‘policed’. Some discussion was around what currently happened and also how it depended upon where they were going to, for example if somewhere like Columbia there was less trust it would be paid, if it was the UK or France there was more trust it could be chased up and paid.

Some respondents spontaneously perceived a *“means test”* would be necessary to ensure help for those unable to pay the liability. This would also filter out those who *“claim they can’t pay but drive an expensive car”*. There was a mix on opinion of whether those older than 80 could have the due tax paid out of their estate

“Measures in place for people who can't afford it so that if they need longer, the facility is available. That would be good”

“Retired people are asset rich, cash poor, are they going to have to sell their house?”

Need for an affordability test

Overall: Strongly requested.

There was spontaneous call from most respondents for an affordability test or 'means test', however it was perceived that it should not be too complex or too onerous an application.

They perceived an issue with the difficulty in balancing complexity with enough information to ensure fairness. Respondents also felt that the test should not be too intrusive and that it is difficult to define what is considered core expenditure versus lifestyle expenditure.

There was discussion and mixed views over what constituted core expenditure, e.g. whether it should include university and secondary school fees, private healthcare and costs of buying and maintaining a reasonable car or not.

"Criteria for the affordability test should be simple"

"University should definitely be in core"

"If I have a heart condition, I need to pay private medical insurance in case I need surgery"

One group (and several in other groups) were deeply passionate that a means test should be focussed on income rather than assets. They did not want to worry about having to sell their house or spend their savings on the liability if they became unemployed.

Some mentioned a system similar to a mortgage break in that if everyone is going to pay it off with the timescale being mostly irrelevant. They perceived that a payment break of up to one year should be accessible to those who want it.

Some respondents objected to any affordability test having questions regarding partners/spouses in houses with 2 incomes.

"It's not the household that's asking for the break, it's me. It should be based on my circumstances"

PYB taxpayers felt that payment holidays should be an option for people if their circumstances have changed and they can no longer afford the payment, for example redundancy, major illness, major life change circumstances.

"If I become unemployed, I should be able to have a holiday for 3-6 months"

Respondents felt that there should be different criteria needed for payment holidays (less) and full affordability exemptions. They also felt whatever is currently used by the tax department could be used here.

"Whatever rules that are in place for paying tax, should work for this as well."

Service design needs

Overall: Simplicity was the keynote with some questioning the need for a portal.

Most PYB taxpayers felt there was a need for a simple online system or portal for payments with flexibility, choice and self-responsibility.

Most groups expected to be able to access a monthly statement, (online or hardcopy) stating how much has been paid so far and how much is still owed. They also all expected a closure certificate once the liability had been paid.

“Like online banking, get a statement of what you paid and work out where you are at”

“Just like a bank account, should see the balance left and be able to pay when and how often you want”

Most respondents would be happy with an online interface similar to online banking - provided it was simple to use and there was an off-line alternative for those unable or unwilling to use online.

One group and several respondents (10 in total) felt that an online ‘portal’ was surplus to requirements. They just wanted to be told the total tax amount owed for 2019 and set up a Direct Debit or Standing Order for the next 10 years.

Many wanted an option to pay off lump sums of their liability and change their Standing Order as much as they want. Flexibility and self-management came across as important.

Just under half of the PYB respondents thought it would be easier for their employers to sort out paying the tax liability. Many PYB taxpayers felt people were more likely to pay the bill if the money never reached their account. Some perceived that their ITIS rate should just increase to cover the bill. However, other respondents (1 with HR experience) felt that asking for this tax liability payment to come through ITIS was *“a nightmare in terms of complication”*. They did not think it could be done practically.

“If you want it through ITIS, it's not fair on employer in terms of admin”

“Through ITIS rate is not fair on the employer, do online but if elderly or not internet savvy, should have availability to go in and pay.”

“ITIS works well as people don't have control of the money until after the tax is paid”

Another issue regarding ITIS payment was regarding those who do not pay ITIS - those who are redundant, self-employed, pensioners etc. Many asked *“how will they pay?”*

"ITIS is only for employees"

Also, some felt the penalties would have to be separated as late income tax payments should be penalised, whereas late payments on the 2019 liability should not be.

"The danger of linking to ITIS is if I have £1000 savings but I lose my job, they'll take it from my savings"

"There should be penalties for missed ITIS payments for current tax, however late payments of the liability should not be penalised as it is an advanced tax bill."

In terms of support, people felt the minimum was to have someone to talk to and answer questions. Respondents felt that in-person support for those who will pay offline was a necessity. Overall, they felt that the simpler the payment process is, the less support will be required.

"Phone or chat bot would need to be outside of 9-5 as well, online chat would be fine providing they can answer your queries"

Some had a lack of faith in the current tax department administration and this caused concerns over capabilities to facilitate the changes with payments of the tax liabilities.

*"We want the plan laid out, we want to be confident that the tax office are ready"
"I don't have faith in the tax dept, they undercharged me this year. That's their fault"*

Overall, the key drivers for service design were convenience and self-management, whilst meeting the need for trust that others would pay their tax liability and that there was a trusted efficient administration.

Interestingly there appears to be a contradiction between wanting huge flexibility and control however many suggesting the tax liability is taken from their salary or by Direct Debit to prevent any cancellation of payments.

Independent taxation and other implications

There were questions asked about how and when independent taxation might impact this proposed move, also what happens if couples split up and how this tax liability will then be dealt with.

"Married couples pay tax together, there could be arguments if they break up, if it's taken out of the salary then that is avoided"

"What happens when couples separate? Is it a joint liability?"

"If you get divorced do you have to sort it in settlement?"

"The proposition has said this will not be split and will remain as taxpayer 1's liability"

Another issue that was discussed at various points in the discussions in all focus groups was the perception that the messaging had been disingenuous around the propositions. PYB taxpayers perceived that at first messaging from several Ministers was regarding helping islanders who had been personally significantly impacted by COVID-19, then it was about plugging the gap in government finances because of COVID-19. There is an opportunity to build trust by transparency and clear forward consistent messaging.

Key takeaway messages from PYB taxpayers

A final projective technique was utilised in the focus groups just prior to each group closing after active discussion around all the aspects and implications of a potential move PYB to CYB.

This involved each respondent writing down their takeaway from the discussion by completing the sentence:

'Jersey's potential move to current year tax payments for all PYB taxpayers must take into account.....'

The most common responses in rank order were:

a clear need for varied and individual circumstances to be considered, affordability for all

flexibility and varied payment options, including which year to freeze

overall fairness of the system

provision of comprehensive explanations with clear implications, benefits and examples

improvements in the tax department infrastructure to allow it to be more efficient before implementation

Additionally, that the cost to implement and the cost to the local economy should be considered.

CYB taxpayer views

Overall: CYB taxpayers see it as important that all are on a simple, fair, basis and were against any write-off.

CYB taxpayer respondents perceived it important to move PYB taxpayers to CYB, however felt a lack of sympathy for the impact on PYB taxpayers.

All of the CYB respondents were aware and happy that they were on a current year basis - one had changed systems very recently after her maternity leave. They were aware of PYB changes due to social media and news. They perceived having 2 different systems to be unfair, and felt that having every taxpayer on a CYB was much fairer and easier to manage.

Despite perceiving PYB as unfair as well as some individuals being affected severely by COVID19, respondents lacked sympathy for PYB taxpayers and how much money would be needed to pay off in the coming years.

Most CYB respondents felt that if they were paying on a PYB and were being moved to CYB, they would require a discount in order for them to consider paying in a lump sum. However, they disagreed with charging interest on late payments. The CYB respondents perceived that no longer than 6 months should be given as a 'payment holiday' at any time point.

The CYB respondents had a low level of confidence and awareness in how the tax department will administer the change.

Overall perception was that the tax liability for 2019 could be written off, however the respondents disagreed with this in principle as they felt that the tax needed to be paid, especially given current circumstances and the need to help the economy.

"Fairness comes down to broadening yourself, know it goes into infrastructure I don't have kids, but education is beneficial"

"They think it's bad idea, but they know if they don't pay it they won't be supporting the society so I don't think they don't want to pay it"

"I don't disagree with adding up the tax, need 1 system, there's no simple way but need options, as long as it's paid, I don't care how it's done"

There was a big focus on the positives of tax. The CYB respondents explained how it is used for good in our society and is a "necessary evil". They also mentioned the fact that tax is a lot less in Jersey than in

other jurisdictions. The positive contributions tax makes in our society were the group's main reason against any write-off of the liability.

Respondents had different views on penalties for late payments of the liability. Some suggested it is unfair to charge interest on an accelerated payment being missed, whereas others felt that penalties were necessary to encourage payment from those who may choose not to pay if there is no penalty.

The respondents emphasised the need for low administrative costs as well as simplicity for the tax office. There were also strong feelings that any affordability test should be income driven, just as tax is, and not based on assets. They felt strongly that selling property should not be required to pay this liability.

"Short term gain, long term pain"

"People shouldn't be punished for the government's system change"

"Should make best use of systems that are already in place"

Tax advisor groups

Overall: Strongly against the PYB initiative affecting life choices and doubtful that the tax office is ready.

The two tax advisor groups provided insight into how they perceived a move to CYB would affect them and their clients from both a personal viewpoint and in aspects of their work as advisors. There was representation from various sized organisations.

There were strong feelings among the tax advisors that an advanced tax bill should not negatively affect life choices. They felt that potential negative effects on the lives of Islanders was very unfair. They expressed the view also that a high income does not necessarily mean high disposable income, e.g. someone with buy-to-let properties may have a high income, but use it to pay the mortgages on these properties

“You might have some people where a lot of their disposable income will go to this new tax bill then people will change their lives, choose not to have kids, not send their kids to uni, not to buy a house”

“Individuals who earn a lot and get a big bill, may not have the spare disposable income. They may have kids at university or private school”

There was an emphasis on lack of benefit to the PYB taxpayer - especially the younger ones in their 30s and 40s who would now be paying their liability 25 to 30 years earlier than they had planned.

They felt that if the payment came out of your wage, through ITIS or otherwise, this would prevent people missing payments by choice. They perceived that if PYB taxpayers did not see the liability payments leaving their accounts, they would not mind it as much.

“ITIS works as people don't have control of the money until after the tax is paid”

There was an emphasis on the need for more resources at the tax office to allow a seamless transition to a new system.

“We want the plan laid out; we want to be confident that the tax office are ready”

“There should be different penalties [for ITIS and the liability], you can't combine them as tax has penalties, but the liability should not”

The respondents were very against any interest or penalties on late/missed payments due to them seeing the liability as being brought forward from retirement by the government - they felt the payment was not actually late until after retirement.

There was an emphasis on the need for a substantial discount to encourage anyone to pay a lump sum.

“The government should match discount to [the projected change in] value of money”

All thought increasing GST to 8% was the fairest way to recoup funds as it gains revenue from all members of our society, not just PYB taxpayers. This could also be made temporary as it could be reduced once the debt is paid off.

“The alternative is putting up GST, it’s a fairer system as it collects money off the whole population as opposed to just 30% of population. Can ringfence the GST to pay off the debt and then everyone has contributed”

Some tax advisor respondents also felt that the tax office is currently struggling with having 2 different systems of tax collection.

“CYB switch would help the tax office, they need to start getting organised”

Recommendations

Recommendations were made to the Revenue team at the verbal debrief prior to the debate based on the PYB taxpayer views in their 10 focus groups.

These included 4insight recommending the following:

- Offer more flexibility and choice for the repayment terms and which year to freeze
- Make payment holidays (up to one year), as flexible as possible
- Adopt a simple online payment system
- Build an affordability test/means test considering also whether private health and/or school/university fees are considered core expenditure
- Consider how to police pension plan payment commitment
- Improve messaging, thus confidence in the PYB switch

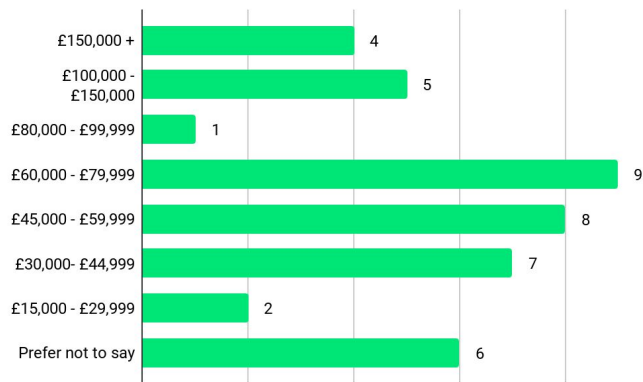
Some of these recommendations, for example the payment term options and flexibility were included in the updated proposition to move PYB tax payers to CYB on November 3rd.

Appendix

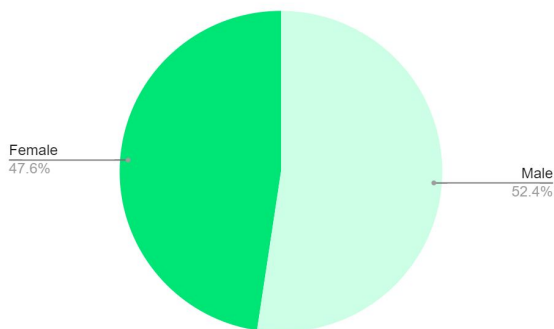
Appendix 1 - Demographics of focus group participants

PYB Focus Group Demographics - household income, gender & age

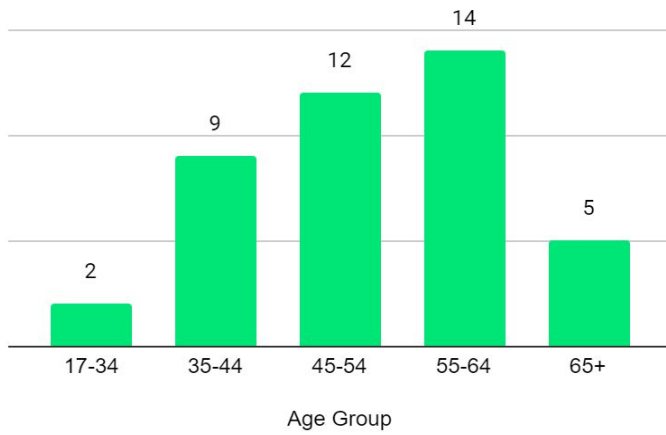
Annual Household income



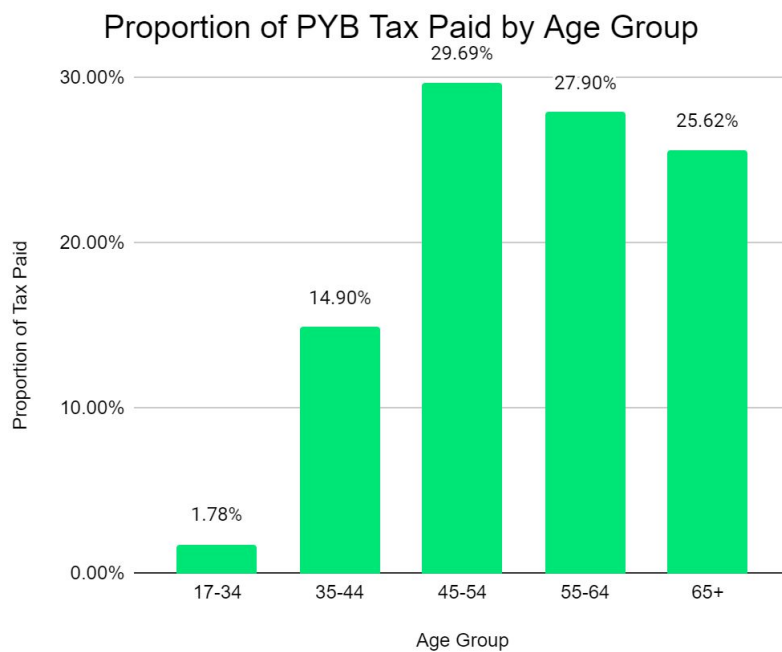
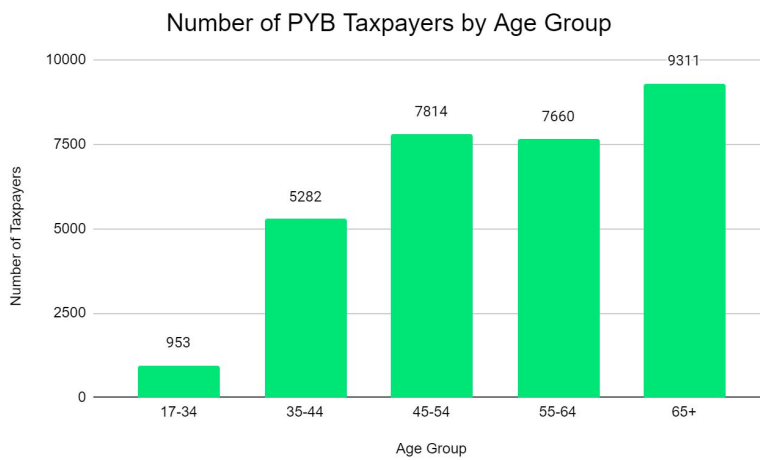
n= 42



Focus group PYB participants



For comparison:



Focus Group participant demographics

