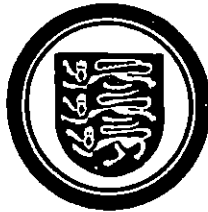


PAYMENT OF INCOME TAX.

Lodged au Greffe on 25th January, 1983 by
Deputy T.J. Le Main of St. Helier.



STATES OF JERSEY

STATES GREFFE

200

1983

P-10

Price : 50p.

PROPOSITION

THE STATES are asked to decide whether they are of opinion -

1. to instruct the Finance and Economics Committee -
 - (a) to continue the existing arrangements in respect of payment of income tax, subject to the provisions of the following propositions;
 - (b) to draw up the necessary legislation so that employed persons who have been ordinarily resident in the Island for five years after the adoption of such legislation shall have the right to instruct their employers to make such deductions as may be decided from time to time by the Income Tax Department in respect of tax payments;
 - (c) to draw up a payment system, similar to that which presently operates in Guernsey, which would enable employers to calculate with ease the tax deductions of individual employees;
 - (d) to draw up the necessary legislation which would require those employers who have employees participating in such a tax deduction scheme to submit quarterly returns and payments to the Income Tax Department, in a way similar to those which are now made in respect of Social Security contributions;
 - (e) to draw up the necessary legislation which would require employers to make such deductions as may from time to time be determined by the Income Tax Department in respect of all employees who have been ordinarily resident in the Island for a period of less than five years;
 - (f) to draw up the necessary legislation which would empower the Comptroller of Income

Tax to require any employer to make such deductions as the Comptroller may from time to time determine in respect of any employees, irrespective of the wishes of such employees or the length of time they have been ordinarily resident in the Island;

2. to require the Social Security Committee to inform the Comptroller of Income Tax of the identity of all persons to whom a Social Security card/number has been issued.

DEPUTY T.J. LE MAIN OF ST. HELIER

Note by Deputy T.J. Le Main

Propositions should be brought to this House for one of two reasons - to assist in the good government of this Island or to be of assistance to those who live and work here. I believe that this set of proposals will fulfil both these requirements.

When the proposals are debated I shall outline in some detail the PAYE scheme as operated in Guernsey. It is sufficient for the purpose of this explanatory note to say that it is generally regarded that the scheme operates to the mutual benefit of the government of that Island and those who choose to participate in it. I sincerely hope that Members of this House will be magnanimous enough to acknowledge that there are areas where we can learn from what has happened to our neighbours and, if need be, implement whatever they have made a success of. I regret to say that, if past experience is anything to go by, many Members of this House have little or no idea of the difficulties the present tax payment system places on certain members of the community. It is all very well for people to say - as has been said in the past - that a PAYE system exists at present for anyone who cares to make use of it. It will be said again when these proposals are debated, that any member of the public is free to make his or her own arrangements with the Income Tax Department in relation to the payment of tax by weekly or monthly payments. Many members of the public do not think any further ahead than their next pay packet. It is no use telling them in January that they should be going into Cyril Le Marquand House with so much every week or month to pay towards a bill they will not receive for another nine months.

In support of this argument I only have to ask Members what they think would happen to the finances of the Social Security Department if the present system of payment were to be altered to one whereby employees were required to pay their contributions on a weekly, monthly or quarterly basis, instead of having it deducted from their salaries by their employers.

What I am proposing is that, with certain exceptions; working people be offered the same facility - as of right - in respect of tax payments.

Proposition 1

This would enable the present system to continue to operate for those entitled to opt out of any new payment scheme - and would obviously include the self-employed and those living either wholly or in part on unearned income.

Proposition 2

This proposition would give employees the right to require their employer to make such deductions in respect of tax payments. Most pay slips in use by employers already have provision for the insertion of such payments so employees could see at a glance exactly what their current tax payments are. There is no doubt that this would involve additional work for employers but I would argue that they would be compensated by the fact that returns would be made on a quarterly basis and they would therefore have the use of an additional sum of money for up to three months. A similar exercise is already carried out by each employer in respect of Social Security contributions - which are earnings related - and I would urge the House not to be misled by claims from employers that the work involved will be excessive. The system, if approved, would give a great many employees the peace of mind of knowing that they did not have to find a considerable sum of money in one lump sum at a given time each year. Deductions at source benefit most of the community. Many if not all Members of this House use similar systems for the payment of accounts of all descriptions by the use of bankers' orders. The proposal will extend that payment system to tax contributions.

Proposition 3

As has already been explained, further and fuller details of the Guernsey scheme will be available to Members at the time of the debate. What is envisaged is a scheme whereby each employee is given a code number by the tax authority. Based on this the employer will make such deductions as are outlined by the authority. An example of this would be that the authority calculates that a married man with two children would have deductions of x pence in the pound until the wage (either weekly or monthly) reached a given level. Once that level has been reached a higher figure would come into operation and the deductions would be increased to

y pence in the pound. This system would therefore take account of overtime and bonus payments and other unforeseeable increases in earnings and it would ensure that these earnings would come within the scope of the basic PAYE scheme. As in Guernsey a rebate would be given at the end of the tax year once the tax authority was satisfied that all liabilities had been met.

Proposition 4

This proposition is self-explanatory in that all it seeks to do is to create a system of payment for employers so that they could submit in a relatively simple fashion the full earnings and tax payments of each employee for the period in question. The Social Security payment system operates in this way, despite the fears which were expressed by employers when it was implemented, because it has become clear that it is obviously preferable to the old system of sticking "fiddly" little stamps on cards each week.

Proposition 5

This proposal covers the problems caused by seasonal workers of all nationalities. It is generally acknowledged, and has been said many times in the House, that those who come to Jersey during the summer months make a tremendous contribution to the wealth of this Island. They do jobs which Islanders are unwilling or unable to do and for this the resident community of Jersey should be grateful. There is however a strong feeling, both inside and outside this House, that their contribution to the general finances of the Island, through direct taxation, is not what it should or could be. The requirement - as opposed to a voluntary system - for employers to make deductions for tax from people who have not been ordinarily resident in the Island for a continuous period of five years would allay the fears of the resident population about some people "getting away with it".

I would envisage either a coded deduction system - similar to that operational for those who choose to participate in PAYE - or one whereby a set percentage (ten per cent is one figure which has been suggested during the discussions I have had on the subject) is deducted from all such wages or salaries. Existing rules or legislation governing either minimum salaries or

minimum periods of residence before tax is paid should be amended so that those people who come to the Island for short periods of time start making direct contributions to the Island's exchequer from the moment they start employment.

Proposition 6

This proposal would empower the Comptroller to require employers to make deductions from certain employees if that employee declines to take up the right to have voluntary deductions made. This power would only be used where the Comptroller is satisfied that no other system would ensure that that specific employee meets his or her tax liabilities.

Proposition 7

This proposition is again self-explanatory. It could be that the Social Security Department already has a system whereby it makes the tax authority aware of all persons in employment in the Island. If this does not happen then this proposal ensures that it will in future.