

**Response to a Question Pursuant to Rule 14  
of The Rules of Procedure of the States of Deliberation and their Committees**

**Subject: Revenue Service Resources**

**States' Member: Deputy G A St Pier**

**Date received: 21<sup>st</sup> January 2022**

**Date acknowledged: 21<sup>st</sup> January 2022**

**Date of reply: 2<sup>nd</sup> February 2022**

### Questions

- a) How frequently does the present Committee receive data and key performance indicators on the workflow and backlogs within the Revenue Service?
- b) What information or data, if any, will the Committee make publicly available in relation to the performance of the Revenue Service or to give an understanding of the scale of the backlog?
- c) The calculation of social security contributions for the self-employed is dependent on final income tax assessments. Therefore, aside from the knock-on impact of any backlog in preparing those income tax assessments, is there a separate backlog within the contributions section of the Revenue Service?
- d) Under section 199A of the Income Tax Law, if any repayment of tax is due but is not made by the Revenue Service within (broadly) a year of a return being submitted, a repayment supplement of 5% p.a. is payable by the Revenue Service. What statistics or trends are available for the levels of repayment supplement paid in recent years?
- e) What are the estimated/budgeted cost implications of the steps announced to engage former staff and seconding local accountants to assist?

### Response

- a) The Committee receive a monthly financial report which includes details and forecasts of revenue collections and ad hoc reporting on Revenue Service operations.

It is worth noting that an analysis of the annual tax revenues highlights that over 97% of tax collections are in respect of current year liability, meaning that vast majority of tax collected is through the Employees Tax Instalment scheme (“ETI”) and the Revenue Service issuing interim assessments each year to those customers that receive income not taxed at source (e.g. State pension, rental income, etc). The remaining tax collection (less than 3%) relates to collections for prior years, i.e. over/under payments that arise when assessments are finalised.

Over 85% of contributions and 65% of tax revenues (75% if just look at tax revenues from individuals) are collected through quarterly employer returns (schedules/ETI).

- b) The recently issued media release provided an update on the percentage of 2018 and 2019 personal returns that have been assessed. The Committee intends to ensure that similar data is updated and published quarterly.
- c) As a result of the pandemic and the ongoing transformation of the Revenue Service, the Committee *for* Employment & Social Security approved a change that means from 2021 all self-employed individuals are charged contributions on a current year basis. Therefore, like the position for tax, an interim assessment was issued for 2021, with any over/under adjustments to be made when the 2021 tax return has been processed.

As a further business support measure, self-employed individuals who have been impacted financially by the pandemic were also given the option to have their social security contributions for 2020 based on their income for the current year, instead of on income for the 2 years prior. Due to the age of the systems used, it is not possible to get an exact figure, however it is estimated that 40% of self-employed individuals elected to be assessed on a current year basis for 2020 providing their estimate of business profits. As the 2020 tax returns are processed, this information will automatically be passed into the contribution system and a revised assessment issued as necessary.

- d) Repayment supplements generated over the last 9 years are as follows:

2021	£195,143
2020	£46,363
2019	£47,269
2018	£44,240
2017	£51,046
2016	£73,727
2015	£54,765
2014	£112,140
2013	£40,777

- e) The Revenue Service has experienced some challenges with recruitment since the pandemic started, noting that in 2021 pay costs were £640,000 lower than budgeted (of which £290,000 is held in the budget reserve to reflect a 5% vacancy factor).

The Committee has approved additional funding of up to £300,000 from the Budget Reserve to tackle the backlog of returns to be processed, although funding will initially come from any capacity within the Revenue Service budget that arises from vacancies.

**Deputy Peter Ferbrache**  
**President**  
**Policy & Resources Committee**