

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

**POLICY & RESOURCES COMMITTEE AND
COMMITTEE *FOR* EMPLOYMENT & SOCIAL SECURITY**

THE TRANSFORMATION OF INCOME TAX AND CONTRIBUTIONS SERVICES

The States are asked to decide:-

Whether, after consideration of the Policy Letter entitled “The Transformation of Income Tax and Contributions Services”, dated 29th January, 2018, they are of the opinion:-

1. To direct the Policy & Resources Committee and the Committee *for* Employment & Social Security to develop a single service for the collection of Income Tax and Social Security Contributions, based on the Target Operating Model described in section 5 of the appended Policy Letter which will replace the existing Income Tax and Contributions service areas.
2. To replace the office of Director of Income Tax and the operational contributions responsibilities of the Committee *for* Employment & Social Security and the Administrator of the Social Insurance Law (“the Administrator”) with a statutory official to be called the Director of the Revenue Service (“the Director”), to be appointed by the Policy & Resources Committee.
3. To empower the Policy & Resources Committee to appoint one or more Deputy Directors of the Revenue Service to assist the Director, replacing any existing Deputy Director of Income Tax roles.
4. To approve the transfer of all functions, powers and responsibilities of the Director of Income Tax to the Director of the Revenue Service, ensuring the Director is responsible for the care and management of the income tax functions under the Income Tax (Guernsey) Law, 1975 as amended, and all Ordinances and regulations made under it, subject to the general direction and control of the Policy & Resources Committee, including administration of the currently suspended Dwellings Profit Tax (Guernsey) Law, 1975, any referrals made by the Greffier under the Document Duty (Anti-Avoidance) (Guernsey) Law, 2017 and, for the avoidance of doubt, the implementation and administration of any approved international agreement (within the meaning of section 75C of the Income Tax Law).
5. To approve the transfer of the relevant contributions functions of the Committee *for* Employment & Social Security, including any relevant contributions functions

delegated to the Administrator, to the Director so that the Director is responsible for the care and management of contributions functions under the Social Insurance (Guernsey) Law, 1978 as amended, and all Ordinances and regulations made under it, subject to the general direction and control of the Policy & Resources Committee, noting that responsibility for contributions policy will remain with the Committee *for* Employment & Social Security.

6. To authorise the Policy & Resources Committee to make regulations providing for the transfer of any further functions arising under the Income Tax (Guernsey) Law, 1975 or the Social Insurance (Guernsey) Law, 1978, or any Ordinance or regulations thereunder, between the Policy & Resources Committee, Committee *for* Employment & Social Security, Director and/or Administrator.
7. To approve the replacement of the existing route of appeal to the Guernsey Tax Tribunal within the Income Tax (Guernsey) Law, 1975 and the provision for review by the Committee *for* Employment & Social Security within the Social Insurance (Guernsey) Law, 1978 with an independent Revenue Service tribunal, aligning the rules, procedures and processes for both types of appeal and removing the age limit included in the Guernsey Tax Tribunal membership conditions. Any subsequent appeals, on a point of law, would continue to be made to the Royal Court.
8. To provide that any decision described in section 74(1)(a) of the Social Insurance (Guernsey) Law, 1978 as to whether the contribution conditions for any benefit are satisfied shall be determined by the Administrator rather than the Director of the Revenue Service, recognising the Administrator's expertise in benefits matters, with right of appeal to the Social Insurance Appeals Tribunal.
9. To approve the replacement of the current oath provisions within section 206 of the Income Tax (Guernsey) Law, 1975 with a general prohibition against the disclosure of information obtained, received or created under or for the purposes of the Income Tax (Guernsey) Law, 1975 and all Ordinances and regulations made under it, including provision relating to members of the Revenue Service tribunal, together with any consequential amendments required.
10. Without prejudice to 9 above, to standardise the confidentiality and prohibition of disclosure of information provisions of the Income Tax (Guernsey) Law, 1975 and the Social Insurance (Guernsey) Law, 1978, including provisions as follows:
 - a. To clarify, for the avoidance of doubt, that the prohibition of disclosure and confidentiality provisions bind persons subject to them at any time and place and in perpetuity,
 - b. To introduce criminal sanctions in the event that a person gains or attempts to gain access to information obtained, received or created under, or for the purposes of, the Income Tax (Guernsey) Law, 1975 or

the Social Insurance (Guernsey) Law, 1978, or any Ordinances or regulations thereunder, which they have no lawful authority or other legitimate purpose to access,

- c. To elevate the sanctions for a violation of the prohibition of disclosure and confidentiality provisions to imprisonment for a term not exceeding 2 years or a fine not exceeding twice level 5 on the uniform scale (level 5 is currently £10,000), or both,
- d. To provide for the confidentiality and prohibition of disclosure provisions to apply to any person that accesses such information, including persons who do so accidentally or in an unauthorised manner and persons requested to perform any task in the course of which they may obtain access to such information.

11. To provide that the Director, or any person authorised by him, may disclose any information obtained, received or created by him under or for the purposes of the Income Tax (Guernsey) Law, 1975 or the Social Insurance (Guernsey) Law, 1978, or any Ordinance or regulations, thereunder, in accordance with specified gateways, including the following:

- a. To any person for the time being authorised to carry out any duties in connection with the operation of either Law, including for the avoidance of doubt, those persons authorised to carry out any duties in relation to the payment of benefits under the Social Insurance (Guernsey) Law, 1978,
- b. For the purposes of civil proceedings in connection with the operation of either Law,
- c. For the purposes of criminal proceedings or the investigation of crime, or
- d. With the express consent of the person to whom it relates.

Such provision will also include a reciprocal basis for the Administrator to disclose any information obtained or received by him under or for the purposes of the Social Insurance (Guernsey) Law, 1978, or any Ordinance or regulations thereunder, to the Director.

12. In addition to 11, to provide that the Director, or any person authorised by him, may disclose information to other persons or entities for the performance of their respective functions, in accordance with existing statutory gateways including the following:

- a. To the electronic census supervisor or any census officer,
- b. In respect of legal proceedings to obtain or enforce an order for the making of payments for maintenance or education of a spouse or child.
- c. To any officer appointed under section 13(1) of the Minimum Wage (Guernsey) Law, 2009,

- d. To the Administrator of Population Management,
- e. To the Committee *for* Home Affairs in connection with the performance of their functions under the Right to Work (Limitation and Proof) (Guernsey) Law, 1990 and the Housing (Control of Occupation) (Guernsey) Law, 1982.
- f. To a police officer (which for the avoidance of doubt includes a customs officer),
- g. To the Guernsey Financial Services Commission, or a body in another country or territory which carried out any similar functions to the Commission, and
- h. To the Committee *for* Employment & Social Security and the Administrator.
- i. and also to the Policy & Resources Committee under the proposed Economic Statistics (Guernsey and Alderney) Law, 2018

and to make any amendments to the relevant legislation (including standardisation of the text and appropriate safeguards) necessary to enable effective data sharing by and with the Director, including power for the Director to disclose information for the purposes of the preparation of the general estimate of the revenue of the States and the provision of economic advice, analysis, measures and statistics.

- 13. To amend the Disclosure (Bailiwick of Guernsey) Law, 2007 to enable the disclosure of information by the Director to a police officer (which for the avoidance of doubt includes a customs officer) for the purposes of civil forfeiture.
- 14. To introduce the ability for the Director to issue Statements of Practice under the Social Insurance (Guernsey) Law, 1978, for the purpose of providing practical guidance or administrative relief, where the administrative effort of pursuing revenues outweighs the benefits, in connection with the administration of the contributions and benefits functions of that Law, and to amend the Income Tax (Guernsey) Law, 1975 to enable the Director to issue Statements of Practice for the purpose of providing administrative relief, where the administrative effort of pursuing revenues outweighs the benefits.
- 15. To delegate authority to the Policy & Resources Committee to approve a Capital vote of a maximum of £5m to fund the next phase of the Revenue Service programme. £2.5m of which is to be charged to the Capital Reserve and £2.5m to the Guernsey Insurance Fund and which will be released in phases and on approval of the necessary business cases.
- 16. To direct the preparation of legislation as necessary to give effect to these proposals.

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**POLICY & RESOURCES COMMITTEE AND
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THE TRANSFORMATION OF INCOME TAX AND CONTRIBUTIONS SERVICES

The Presiding Officer
States of Guernsey
Royal Court House
St Peter Port

18th January, 2018

Dear Sir

1. Executive Summary

- 1.1. The Income Tax and Contributions service areas are critical to the proper functioning of the public service, collecting about 77% (£464m in 2016) of the total States of Guernsey revenue. The current operating model for these services, however, will not be able to meet the future needs of Guernsey and Alderney.
- 1.2. Currently Contributions and Income Tax operate as separate services, with the potential for duplication and inefficiency. The services have not been constructed around customer needs and neither service is presently designed or equipped to provide user-friendly digital services. In addition, both service areas are limited by complex and inflexible legacy IT systems.
- 1.3. A fundamental shift in the way the services work will be required to meet the States' present and future challenges. To protect revenue collection, respond to customer demands and ensure that public money is spent effectively, the Revenue Service programme (previously known as the Contributions & Tax Services Programme) was set up to transform the services of Income Tax and Social Security Contributions. The vision of the programme was defined as **“to create a customer focused and cost-efficient service for the revenue collection**

of income tax and social security contributions, supported by an efficient organisational structure and IT systems”.

1.4. The Revenue Service programme has been prioritised in the “transform” category of the capital portfolio and is being funded equally from the Capital Reserve and the Guernsey Insurance Fund. The programme meets the criteria for a “large” programme¹, as such it is being managed in a series of phases, with funding being sought and released by the States at key decision points for each Phase:

- **Phase 1 (Completed):** Assess the business justification and risk profile and develop the Target Operating Model (“TOM”).
- **Phase 2 (the next phase):** Based on the TOM, create a single service and organisational structure; mitigate the risks associated with the current IT systems; improve customer understanding and satisfaction by introducing new and improved digital services and greater automation (to include a single sign-on function, online ID verification and online repayments and status updates); and, using information and data deduced throughout the phase, develop the specification and start the procurement process for the replacement IT solutions.
- **Phase 3 (the Final Phase):** Complete procurement of, and then implement, the right replacement IT solutions for the service, as identified in Phase 2.

1.5. The Programme Board has identified the direction for transformation through the development of a TOM. The model describes how Income Tax and Contributions services can be best organised to deliver the States’ strategy and serve the needs of customers. The chosen model focuses on introducing a **single, fully integrated service for the collection of income tax and contributions.**

1.6. The model does not propose any changes to the policy responsibilities of either Committee, nor does it propose aligning all of income tax and contribution rules. The responsibility for contributions policy will remain with the Committee *for* Employment & Social Security and Income Tax policy will be retained by the

¹ A “large” programme is defined as a programme with potential funding requirements above £10m. Total funding for all phases of the Revenue Service programme, including funding from the Capital Reserve and Guernsey Insurance Fund, is likely to be over £10m.

Policy & Resources Committee. No functions of the Benefits service are included in the model and no other forms of revenue collection are incorporated.

- 1.7. The implementation of the TOM is intended to deliver three key outcomes aligned to the Policy & Resource Plan and the framework for Public Service Reform. These outcomes direct the transformation activities for Income Tax and Contributions. The outcomes are;
- **Improved customer satisfaction** – this will involve streamlining customer interactions whilst providing a more modern and flexible service built around customers’ needs. A well-designed service should make it easy for the States and customers to get things right first time,
 - **Service improvements and a single organisational structure for the collection of revenue** – this will require a focus on process efficiency and effectiveness, supported by service integration, investment in skills and the removal of duplication, and
 - **Significantly reduced operating costs** – this will require the programme to design and deliver a value for money service that collects as much as possible of the revenue due to the States, but in an efficient and cost-effective manner.
- 1.8. To date, the Policy & Resources Committee and the Committee *for* Employment & Social Security have authorised expenditure totalling £914k (£457k from the Capital Reserve and £457k from the Guernsey Insurance Fund), this has been used to support Phase 1 of the programme and the development of the model. Phase 2 of the programme, which is detailed in this Policy Letter, requires funding of up to £5m (£2.5m from the Capital Reserve and £2.5m from the Guernsey Insurance Fund).
- 1.9. Phase 2 will deliver a single integrated service that puts customers at its centre, a service able to help all customers from the start. At the end of the Phase, customers will be able to check their tax or contributions status, and receive or make payments, using simple, personalised and secure digital services which make it easy for them to meet their obligations.
- 1.10. The Phase will also protect the States’ future revenue collection by mitigating risks associated with the current operating model and IT platforms and by helping the service keep pace with change. The data and insights gathered within Phase 2 will be essential for the design and procurement of future IT, without which the risk of purchasing or implementing an unsuitable or inadequate solution would be much greater. It is anticipated that a further Policy Letter will be developed to address Phase 3, which will include the replacement of the legacy IT systems.

- 1.11. The programme approach has been informed by lessons learned from past States projects, such as the implementation of SAP and the replacement of the Benefits IT system, as well as from similar initiatives in other jurisdictions. To ensure that the programme is able to deliver its outcomes and minimise risk to revenue collection, the Programme will invest time to fully understand the requirements of the two service areas before introducing change, will fully resource and plan for the change management process, and will regularly engage with customers to ensure transformation is focused on customer needs.
- 1.12. Wherever possible, the ethos of the programme is to work alongside and integrate wider States programmes and initiatives so as to deliver States strategy as effectively and efficiently as possible. This will be particularly important when considering the customer experience work in Phase 2, services such as a single sign-on and ID verification will need to be approached with a shared service intent and will need to build on work already completed. The required funding for this phase includes about £2m to help develop digital services which will be used across the States. The development of these functions within the Revenue Service programme should simplify their introduction in other service areas.

2. Introduction

- 2.1. In June 2017, the States approved the Medium Term Financial Plan². Part of this plan set out the proposed capital portfolio for the next period, the ultimate objective of which is to support the delivery of States strategy through appropriate investment in systems and infrastructure. The “transform” category of projects included a programme of transformation for income tax and social security contributions collection.
- 2.2. The Revenue Service programme (previously the Contributions & Tax Services Programme) is focused on the operations of the Income Tax and Social Security Contributions service areas, which sit within the mandates of the Policy & Resources Committee and the Committee for Employment & Social Security respectively. The programme was established to ensure that these service areas can keep pace with change and continue to provide a viable service in the future. A key part of this transformation is the integration of Income Tax and Contributions into a single service.
- 2.3. The service areas have many similarities, driven by their mutual administration of revenue collection on behalf of the States. The parallels between these

² [Policy & Resource Plan - Phase Two - Medium Term Financial Plan - www.gov.gg/mtfp](http://www.gov.gg/mtfp)

services and the extent to which they serve the same customers make a coordinated approach to their ongoing management essential.

- 2.4. The functions provided by these service areas play a vital role in supporting public services. Combined, the Income Tax and Contributions service areas collected £464m in 2016; 77% of the total revenue of the States. The significance of these service areas, and the potential impact and risk associated with change, make it essential for the States to have an opportunity to understand and influence the direction and scope of the Revenue Service programme at an early stage.
- 2.5. This Policy Letter sets out the case for change, what the programme needs to achieve, and the proposed shape and methodology for transformation. To progress the programme, funding will be required for resources and for subject matter expertise. Operational reform will also require some legislative change, for example to the Statutory Roles within the Income Tax and Social Insurance Laws and the services' data disclosure and confidentiality provisions.

3. **The Problem and the Opportunity – Why is Change Needed?**

- 3.1. An effective and customer-focused revenue collection scheme is critical to supporting a well-functioning economy and achieving the States' fiscal, economic and social ambitions. The current operating model for Income Tax and Social Security Contributions, however, cannot readily deliver the service Guernsey and Alderney require.
- 3.2. The type of service that was acceptable 10 or 20 years ago no longer meets the demands of customers today. Digital services, social media and the proliferation of self-service are all reshaping what individuals and businesses expect from the public sector. Furthermore, availability of data, access to technology, and agile working patterns have all created greater demand for personalised and responsive services with 24/7 availability.
- 3.3. The economic environment within which Income Tax and Contributions operate also continues to evolve. Economic uncertainties and increased international compliance requirements have put additional pressures on businesses and the public service, compounded by changing skill requirements and an ageing demographic (which is forecast to reduce the number of economically active tax payers and the contributors to social insurance whilst increasing demand on public services).

- 3.4. In acknowledgement of these and other challenges, and to help focus effort towards a “better tomorrow”, the States developed the Policy & Resource Plan³. The Plan sets out the States’ Vision for the islands. To facilitate the delivery of this Vision, it will be necessary to redesign the way public services are delivered, a process which is guided by the framework for Public Service Reform⁴.
- 3.5. The States relies on the Income Tax and Contributions service areas for the majority of its revenue collection. In addition, both services interact with the majority of Guernsey and Alderney’s population and businesses and Income Tax in particular engages regularly with other jurisdictions in order to meet Guernsey’s international tax commitments. The services, therefore, have a prominent role to play in achieving the States’ economic objectives, international standards policy and have considerable influence over customer satisfaction and the islands’ reputation.
- 3.6. To achieve the States’ aims, Income Tax and Contributions functions need to be carried out in such a way as to collect the correct amount of revenue owed to the States at a sustainable level of cost and in a customer-focused manner. At the same time, the service areas need to provide a service capable of supporting the economy, and protecting and promoting Guernsey and Alderney’s international position.
- 3.7. The current operating model for Income Tax and Contributions imposes a series of constraints on service delivery that will significantly limit the role they can play in delivering the States’ strategy. Without change, this will result in the services becoming an increasing resource burden and source of public dissatisfaction.
- 3.8. The Current Operating Model
- 3.8.1. The current operating model for the collection of income tax and contributions comprises two separate administrations, working under different Committees and legislative requirements, and with generally different processes, data and customer interactions.
- 3.8.2. The present arrangements have evolved over time, but were never designed with consideration of both service areas’ activities or with a focus on future customer needs. Waste, inefficiencies and customer dissatisfaction are generated by duplication in functions, legacy processes and limitations in data availability and sharing.

³ [Future Guernsey - Policy & Resource Plan - www.gov.gg/policyandresourceplan](http://www.gov.gg/policyandresourceplan)

⁴ [A Framework for Public Service Reform 2015 – 2025 - www.gov.gg/change](http://www.gov.gg/change)

- 3.8.3. Current processes and infrastructure do not provide the flexibility or data to inform policy or continuous improvement, or to implement change efficiently. Instead, changes require significant cost and time to implement. Capacity for change and improvement is further limited by a technical emphasis in the service areas. The current operating model is focused on the employment of staff with professional and technical expertise. Training and experience in cross-functional skills such as project management and business development is less consistent and few individuals have experience in these areas.
- 3.8.4. In both service areas, operations rely on manual processing or interventions and there are few digital services for, or interfaces with, customers. Part of this constraint results from the legacy IT systems which support the operations of each service area, ITAX in Income Tax and SIR in Contributions. The applications are both highly bespoke and utilise an outdated operating system and programming language, they also rely on limited specialist support. These features make the systems more difficult and expensive to maintain than modern applications. Income Tax is further burdened by its ageing and inadequate electronic document management and workflow system.
- 3.8.5. Independent taxation provides a good example of the limitations of the current operating model. In the 2018 Budget, the States agreed to end joint assessment for married couples, whilst keeping the ability to transfer unused allowances between married individuals and co-habiting individuals with children. This change is anticipated to increase the number of persons in the Income Tax system by approximately 13,000 (as married couples move to being assessed independently of each other). Without changes to the current model and supporting IT systems, this change in policy will be complex, expensive and time-consuming to introduce and would be difficult for the Income Tax service to support without an increase in resources.
- 3.8.6. Whilst both the Income Tax and Contributions IT systems will need replacing to improve resilience and agility, it is evident that wholesale transformation will be required to protect revenue collection and support the delivery of States priorities. This includes reshaping the organisational structure, the culture and customer interactions, as well as implementing technological solutions.

4. **The Aim – What needs to be achieved through transformation?**

- 4.1. The Revenue Service programme mandate and brief were approved by the previous political boards of the Treasury & Resources and Social Security Departments in 2016. They defined the vision of the programme as **“to create a customer focused and cost efficient service for the revenue collection of income tax and social security contributions, supported by an efficient organisational structure and IT systems”**.

- 4.2. A single programme was established for both Income Tax and Contributions service areas in order to provide the opportunity for more integrated public services and greater efficiencies and to ensure that changes are designed around customer needs rather than departmental boundaries. This is not an uncommon approach, of the 31 OECD (Organisation for Economic Co-Operation and Development) countries with separate contributions schemes, 12 countries now administer their collection through the same revenue body.
- 4.3. Based on the strategic framework of the programme and the business needs of the two service areas, three key outcomes have been identified for the Revenue Service programme:
- **Improved customer satisfaction** – this will involve streamlining customer interactions whilst providing a more modern and flexible service built around customers’ needs. A well designed service should make it easy for customers to get things right and difficult to get things wrong,
 - **Service improvements and a single organisational structure for the collection of revenue** – this will require a focus on process efficiency and effectiveness, supported by service integration, investment in skills and the removal of duplication, and
 - **Significantly reduced operating costs** – this will require the programme to design and deliver a value for money service that collects revenues due to the States in an efficient and cost effective manner.
- 4.4. The delivery of the Revenue Service programme outcomes will require a thorough transformation of existing services. To guide and direct the course of this transformation, the first phase of the programme developed a Target Operating Model (“TOM”) to describe the future organisation and operation of the Income Tax and Contributions services.
5. **The Target Operating Model – What does Transformation Look Like?**
- 5.1. A TOM is a high level representation of how a system can be best organised in order to efficiently and effectively deliver an organisation’s strategy. In developing a TOM for Income Tax and Contributions, it was intended to design a framework by which the operations of the revenue collection service could meet the needs of customers and fully contribute to the States’ vision.
- 5.2. The focus of the Revenue Service programme in 2017 was TOM development, supported by expertise from an independent consultancy firm. The process included a review of the current budget, IT systems and capabilities, culture, service processes, organisational structure and customer needs. This was used to identify the pinch points for each service, the root causes for customer and

organisational issues, and the opportunities for change which would deliver the greatest benefits.

5.3. As part of this process, key stakeholders and customers of the two service areas were engaged and customer journeys explored. For example, interviews were conducted with members of the Income Tax Customer Advisory Forum (“CAF”), which includes representation from the Guernsey Society of Chartered & Certified Accountants (“GSCCA”), employees and the self-employed, as well as a sample of other employers and business representatives.

5.4. The information and insights gathered were used to develop a structure for future transformation, including a series of guiding principles for change. These principles were used to help select the proposed TOM and will continue to be applied as the programme moves forward.

5.5. Guiding Principles

5.5.1. The programme developed its design principles based on the strategic requirements of the programme, stakeholder and customer preferences, and the specific business needs of the two service areas. These principles are:

- **A common IT platform:** sharing technological solutions and operating systems across Income Tax and Contributions;
- **Optimal simplicity consistent with policy:** providing customers with services that are easy to understand and simple for the services to apply, but without changing Income Tax or Contributions policy and with minimal legislative change;
- **Reduce and prevent demand where possible:** improving services so that it is easy for customers to provide the right information and the potential for customer and operational errors is reduced;
- **Clear leadership and ownership at all levels from the outset:** empowering and supporting staff to deliver services effectively;
- **Minimise duplication of roles and responsibilities across the services:** ensuring duplication is identified and removed to provide a more efficient service for the organisation and a streamlined customer journey;
- **A single dataset:** working from the same data to improve the quality and accuracy of operations and reduce administrative burden for individuals and businesses;
- **Capture once use many times:** recognising the data that is available and reducing the burden placed on customers;
- **One view of the customer:** joined up services which provide a consistent customer experience and which use shared customer data to aid accuracy;

- **Digital by default:** providing a digital service to customers that fits more seamlessly into their lives and which the service area uses to improve the quality and efficiency of its operations;
- **A new culture which invests, respects, and builds on the strengths of the existing services:** recognising and protecting the expertise, experience and care within the current model and bringing this through into the future; and
- **Deliver early successes, building momentum and confidence:** building staff and public trust of the service and accelerating the rate at which future improvements can be made.

5.5.2. Together these provide a set of rounded and ambitious aims, the achievement of which will deliver sustainable improvements to operations and generate benefits across the community. In order to ensure that the principles can be applied, the programme has used them to help develop a model for future operations.

5.6. The Target Operating Model

5.6.1. By analysing the current arrangements and exploring the models used in other jurisdictions, a number of options for future transformation were identified. These options were then assessed based on their alignment to the guiding principles and the programme outcomes. The TOM was identified as the creation of a **single, fully integrated Contributions and Income Tax service**, the model is illustrated in figure 5.1.

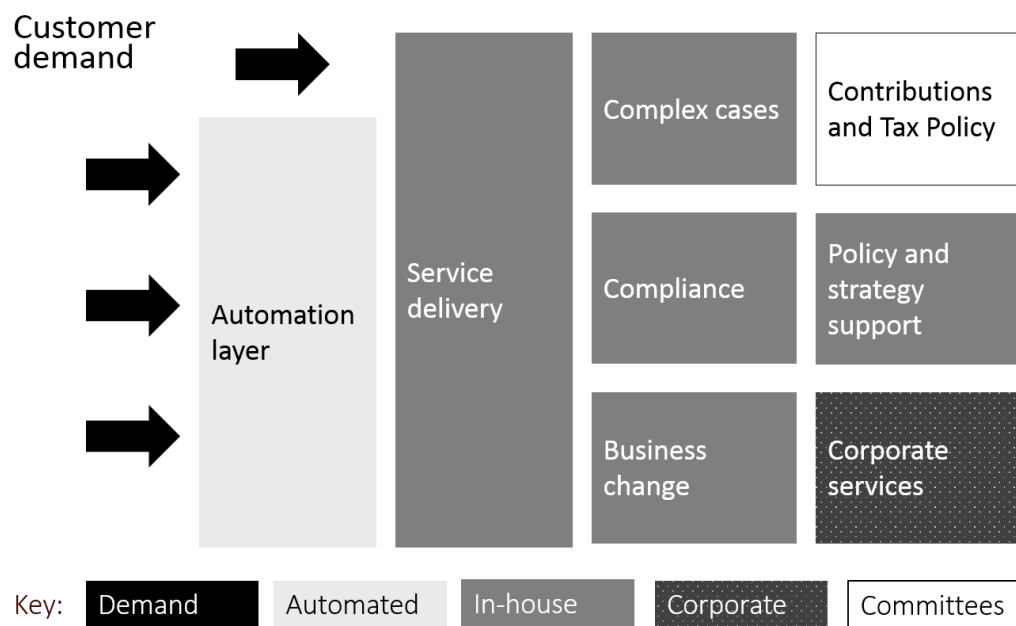


Figure 5.1: The structure of the fully integrated model.

The model comprises a number of layers. Customer demand is filtered through the layers and supported by units focused on continued improvement and development of the service (please note that the size of the boxes does not reflect team sizes).

- 5.6.2. The TOM creates a replacement service which is centred on the customer and which is capable of delivering current and future Income Tax and Contributions functions in a flexible, sustainable and reactive manner. The model would be supported and enabled by new technology solutions, the development of staff, and by implementing a new reporting structure.
- 5.6.3. Income Tax and Contributions policy would remain within the mandate of the two Committees; the Policy & Resources Committee and the Committee *for* Employment & Social Security. There would be no change to the existing policy responsibilities, for example benefits and contributions uprating policy would remain the responsibility of the Committee *for* Employment & Social Security. The future service would be required to implement policy as set by the Committees and the States, including potential future policy changes such as independent taxation and secondary pensions.
- 5.6.4. The TOM includes a service delivery function which would provide an end-to-end operation for all aspects of customer interface across tax and contributions collection. It would “own” all activities in a straight forward customer journey, including: enquiries, registration, returns, payment processing and simple assessments. The function would provide expertise for supporting digital and non-digital enquiries, as well as central phone and counter services. It would also

support the services currently provided by the States of Alderney office, which would continue to be available on Alderney.

- 5.6.5. A Revenue Service compliance unit would lead on compliance and investigation activities across the future integrated service, including all of the work required to support debt collection. A single approach in this area will help to promote customer compliance and ensure a streamlined customer experience. Risk and intelligence capability within this unit would help to inform compliance and investigation activity, collaborative working with other service areas (including Law Enforcement where relevant) and future service design.
- 5.6.6. A complex case unit would deal with the most complicated cases not able to be automated or cases where significant technical expertise is required. This will enable the approach of the service to be tailored to particular customer segments; in particular, customers with more involved affairs, such as high net worth individuals and those with complex business and investment interest, would be handled by this unit and would be provided with a service that meets their needs rather than the needs of other customer segments.
- 5.6.7. To ensure that the future service is able to adapt to evolving technologies, customer expectations and international requirements, the TOM includes a business change and development unit. This unit would provide the resources, skill set and data to maximise continuous improvement opportunities within the service, it would provide business and data analysis resource and performance management and business continuity services. It would also account for the increasing need for expertise on the bespoke systems used to exchange information with other jurisdictions and meet our international obligations. This will help to ensure that the service is smarter, more sustainable, and better able to provide insights and inform decisions across the States.
- 5.6.8. The future service would continue to be a customer of key corporate services such as Information Systems and Support (“ISS”), Human Resources and Finance. In addition, it would liaise closely with the two Committees to better support the policy making process through improved data provision and customer insights and greater flexibility. It would also provide for an increased focus on, and resourcing in, international tax relations, which are vital to maintaining Guernsey and Alderney’s place in the world.

5.7. Potential Benefits

- 5.7.1. The structure and elements of the TOM have been designed to deliver significant benefits. The core benefits are aligned to the programme outcomes of improved customer satisfaction, delivering service improvements and reduced operating costs.

5.7.2. The TOM will;

- **Protect revenue collection** by mitigating risks associated with the current IT systems,
- Provide the opportunity to realise **significant savings** by removing service duplication, integrating similar activity, introducing greater automation and removing some IT maintenance, postage and staff costs, these savings can then be transferred to areas where they will generate greater value;
- **Improve customer experience** by making new services easier to use, tailoring the experience for customer segments, making greater use of digital services and simplifying administration for businesses and individuals;
- Enable the service to demonstrate a deeper understanding of its customers whilst **increasing flexibility** in handling future policy changes such as independent taxation and secondary pensions;
- Allow investment in the functions that will **deliver the greatest value to the islands**, including international reputation, complex and high risk cases, and intelligence led compliance; and
- Provide **greater opportunities for staff** development and progression in the future service.

5.7.3. At this point the long-term programme benefits require further definition, the next phase will help refine and quantify the full benefits by measuring the impact of digital services, identifying the possible process changes and developing the specification for the future IT solution. More detail on the potential benefits can be found in Appendix 1.

5.8. Risk Profile

5.8.1. The programme has a direct impact on the future revenue collection of the States and, as such, has significant risk implications. In addition the current model relies on old legacy technology which has limited technical resource available to support and which is vulnerable to failure. The programme recognises that effective risk management will be essential to support its activities going forward.

5.8.2. The major areas of risk are:

- **The required resources and expertise may not be available**, due to business as usual pressures, current reliance on old legacy systems and undocumented processes, retirement or turnover. It will be necessary to second subject matter experts into the programme and ensure effective succession plans are developed and maintained;

- **The States may not have the capacity to support the programme**, other high profile programmes and change requirements within the States will put pressure on corporate resources, such as IT change support, procurement support and HR. To mitigate this will require some external resource in the programme and careful planning and liaison with corporate services;
- **Customers and staff may not embrace changes**; this will be tackled through proactive change management and support for staff and through outreach and communication campaigns with customers;
- **Integration may be constrained by conflicting cultures and objectives**, different cultures exist in Income Tax and Contributions which result in staff working in different ways and taking different approaches. This will be mitigated by creating a replacement service to which all employees will belong and through joint working early in the change process;
- **An adverse impact on the Social Security Benefits service** where changes in Contributions rule sets may reduce the efficacy of the interrelated benefits functions. This will require a thorough understanding of the relationship between the two functions and for Revenue Service programme proposals to be reviewed by key staff within the Benefits service. It is not intended to run a parallel project in Benefits, and;
- **Uncertainty of technology development timeframes and costs**, particularly surrounding the potential co-existence of old and new technology platforms; this will be mitigated by further work to understand the timescales for the desired changes and the approach to change, as well as by including contingencies within the programme plan.

5.8.3. Emphasis will be placed on developing the capabilities required to appropriately manage and mitigate risks and issues.

6. The Next-Steps – How can the Programme Start to Deliver?

6.1. The Revenue Service programme has been prioritised in the “transform” category of the capital portfolio and is being funded equally from the Capital Reserve and the Guernsey Insurance Fund. It meets the criteria for a “large” programme (as it has potential total funding requirements above £10m). The programme is being managed in phases with funding being sought and released by the States at key decision points, this seeks to ensure that the programme delivers on important milestones and that delivery of outputs and expenditure are controlled.

Phase 1: Identify Direction (Complete)

- Assess Business Justification,
- Assess Risk Profile, and

- Develop the TOM.

Phase 2: Creation of a Single Service, Risk Mitigation and the Identification of Detailed Technology Requirements (Next Phase)

- Create a single service with a single organisational structure,
- Introduce legislative change to enable the single service to operate effectively and with the necessary legal powers,
- Improve customer satisfaction, and generate customer insights, through a single sign-on service, ID verification service, online repayments and other digital services,
- Mitigate the risks associated with the current IT systems in Income Tax and Contributions,
- Describe the current rules, methodology and data quality and use to define the future requirements, and
- Using outputs and lessons from these workstreams, develop procurement requirements for the final phase and start the procurement process.

Phase 3: Implement New IT Solution and Associated Processes (Final Phase)

- Procure the right IT solution for the Revenue Service,
- Implement the IT changes and the new processes that the change enables, and
- Implement an updated staffing structure based on the new processes.

- 6.2. The programme approach will continue to be informed by past States projects, such as the implementation of SAP and the replacement of the Benefits IT system, and by lessons from projects in other jurisdictions, including the integration of contributions and tax administrations in Sweden, the UK and Estonia. Past experience emphasises the need to fully understand service requirements, including the detail of the rules to be applied, demand levels and customer needs, before investing in a solution. The programme will also fully resource and plan for change management to ensure staff and customers are supported through the process.
- 6.3. To date, the Policy & Resources Committee and the Committee for Employment & Social Security have authorised expenditure totalling £914k (£457k from the Capital Reserve and £457k from the Guernsey Insurance Fund). This has been used to initiate the programme and develop the TOM and this Policy Letter. The next phase of the programme, which is detailed in this section, requires funding of up to £5m (£2.5m from the Capital Reserve and £2.5m from the Guernsey Insurance Fund). It is anticipated that a further Policy Letter will be developed to

address the long-term replacement of the legacy IT systems, this will be a significant and complex project the cost of which will be defined in Phase 2.

6.4. Phase 2 Priorities and Costs

- 6.4.1. The next phase of the programme (Phase 2) is focused on developing the single organisational structure for the Revenue Service, introducing secure and simple digital services to improve the customer experience, and analysing data and rules to produce the specification and start the procurement process for the future IT solution.
- 6.4.2. The digital services introduced in this phase will have wider use across the States of Guernsey. By developing them through the Revenue Service programme, they will be informed, and potentially adopted, by the majority of the States' customers and should prove easier to introduce in other service areas.
- 6.4.3. The Phase will require significant engagement with customer groups across the islands, with staff and subject matter experts in both service areas and in Alderney, with similar jurisdictions to learn further from their experiences, and with other States of Guernsey services and change programmes. This will help to ensure that Phase outputs, and the outputs of future phases, meet the needs of customers and the wider organisation.
- 6.4.4. The work has been broken down into four tranches to help monitor and control progress and spend. The key outputs and achievements associated with each tranche will require spend on external and internal expertise and on technological solutions. The tranches, and their estimated cost, are broken down in sections 6.5 to 6.8.

6.5. Tranche 1

- 6.5.1. At the end of Tranche 1, customers will be able to contact a single service to deal with their contributions or tax obligations. The service will have more of its operations online, with each function being accessible using the same log-in details and having been designed to minimise the need to provide information more than once.
- 6.5.2. Tranche 1 will involve the extraction of data from the current IT systems into a separate database. This will allow the data to be accessed and analysed more easily. As a result, more of the customer experience can be digitised and patterns and demand, as well as the service rules, can be documented to inform the future IT requirements.
- 6.5.3. As part of the tranche, all staff members will be moved into the Revenue Service, which will replace the current Income Tax and Contributions services (initially

the existing physical locations will be used, although there may be scope for the movement of teams in the future). The organisational structure of the Revenue Service will be designed around customer needs rather than internal processes.

6.5.4. Total estimated cost for Tranche 1: £2,195,000

6.6. Tranche 2

6.6.1. Tranche 2 will introduce enhanced security for customers and for the service in recognition that an increasing suite of digital services will be introduced. By implementing online ID verification systems, further and more personalised digital services can be advanced in future tranches. Without this facility, online services would have to be more limited.

6.6.2. The tranche will also include activity to validate the rules documented in Tranche 1. At the end of the phase, greater assurance will be available that the rule set is accurate and that any differences or conflicts between income tax and contributions rules have been accounted for.

6.6.3. Total estimated cost for Tranche 2: £1,210,000

6.7. Tranche 3

6.7.1. By the end of Tranche 3, customers will be able to receive any money owed to them digitally, speeding up the repayment process and minimising effort required from the customer.

6.7.2. A risk-based approach will also be developed in this tranche. The approach will be informed by the data analysis carried out in Tranche 1. Its adoption will ensure that the effort required from customers, as well as the resource needed from the service, is proportional to a customer's individual circumstances.

6.7.3. Total estimated cost for Tranche 3: £935,000

6.8. Tranche 4

6.8.1. Tranche 4 is the last tranche of Phase 2. At the end of this tranche, customers will have the facility to check their own tax or contributions status online through a safe, secure and easy to use service. This will increase the accessibility of the service and will simplify the customer experience provided, reducing the burden placed on both individuals, employers and company customers.

6.8.2. Building on the data and lessons documented over the whole Phase, Tranche 4 will deliver the specification for the future IT solution and start the procurement process needed to secure it. This will ensure the future IT systems used by the

Revenue Service are appropriate, adequate and truly designed around customer and user's needs. The future solution will integrate the new digital services introduced in Phase 2.

6.8.3. Total estimated cost for Tranche 4: £660,000

6.9. Release of Funding

6.9.1. Total funding required for Phase 2 is estimated to be £5m. Funding will be split equally between the Capital Reserve and the Guernsey Insurance Fund. It is proposed that delegated authority be granted to the Policy & Resources Committee for the phased release of the funding.

6.9.2. The Committee would release funding for the tranches based on the delivery of previous activities, the production of any necessary business cases, and following the Programme Board's agreement (which includes representation from both service areas and both Committees).

6.9.3. To ensure that the Revenue Service programme's expectations and intentions are realistic, and that the programme remains aligned to organisational strategy, a rigorous assurance plan will be maintained over the life of the programme. The assurance process will provide independent and impartial confirmation that the programme, and its key projects and activities, are on track and provide value for money. The first key step in the plan is an independent review of the Programme Business Case. The review will be presented to the Policy & Resources Committee and Committee *for* Employment & Social Security before any spending is approved in Phase 2.

6.10. Estimated Timescales

6.10.1. The Revenue Service programme plan includes an indicative 18 month timeline from the approval of this Policy Letter's propositions to the completion of the majority of Phase 2 and the start of benefit delivery. A further Policy Letter will be submitted at the end of the phase which will include details on the progress to date and the requirements for the replacement IT solution.

6.11. Enabling Legislation

6.11.1. In order to introduce a single, fully integrated Revenue Service for the collection of income tax and contributions and to provide a consistent experience for customers, some legislative change will initially be required, although this programme does not propose aligning all of income tax and contribution rules. More detail on the proposed changes can be found in Appendix 2, however, in summary, Propositions 2-15 are required to enable:

- The replacement of the statutory official role of Director of Income Tax and the contributions functions of the Administrator of the Social Insurance Law and the Committee *for* Employment & Social Security with a single statutory official, the Director of the Revenue Service,
- Replacement of the current routes of appeal to the Guernsey Tax Tribunal and the Committee *for* Employment & Social Security with a single aligned route to an independent Revenue Service Tribunal,
- Alignment of the data safeguarding and confidentiality requirements for the Revenue Service, whilst ensuring that existing legal gateways for the disclosure of information to other persons or bodies may continue (examples include disclosure of information to enable the payment of benefits, for the investigation of crime and for the Rolling Electronic Census, amongst others), and
- The disclosure of information for the purposes of the general estimate of the revenue of the States and the provision of economic advice and analysis.

6.11.2. This will not change any responsibility for policy setting, which for income tax matters will remain with the Policy & Resources Committee, and for contributions and benefits will remain with the Committee *for* Employment & Social Security.

7. Compliance with Rule 4

- 7.1. Rule 4 of the Rules of Procedure of the States of Deliberation and their Committees sets out the information which must be included in, or appended to, motions laid before the States.
- 7.2. In accordance with Rule 4(1), the Propositions in this Policy Letter have been submitted to Her Majesty's Procureur for advice on any legal or constitutional implications. She has advised that there is no reason in law why the Propositions should not be put into effect.
- 7.3. In accordance with Rule 4(3), the Committee has included Propositions which request the States to approve funding of £5m. Further detail on the financial implications of the Propositions is provided in section 6.
- 7.4. To comply with Rule 4(4) of the Rules of Procedure of the States of Deliberation and their Committees, it is confirmed that the Propositions attached to this Policy letter have the unanimous support of the Policy & Resources Committee and the Committee *for* Employment & Social Security.
- 7.5. In accordance with Rule 4(5), the Propositions relate to the duties of the Policy & Resources Committee and Committee *for* Employment & Social Security in respect of "raising and collecting taxes and revenues" and "social insurance"

respectively. The Committees worked together to develop the Propositions.

Yours faithfully

Policy & Resources Committee	Committee <i>for</i> Employment & Social Security
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G A St Pier
President

M K Le Clerc
President

L S Trott
Vice-President

S L Langlois
Vice-President

A H Brouard
J P Le Tocq
T J Stephens

M J Fallaize
J A B Gollop
E A Yerby

M J Brown
Non-States Member

A R Le Lièvre
Non-States Member

APPENDIX 1

POTENTIAL PROGRAMME BENEFITS

The Target Operating Model (“TOM”) for the Revenue Service programme has the potential to deliver a range of benefits across Guernsey and Alderney, as well as benefits to the organisation itself. The possible scope of financial and non-financial benefits is described within this appendix.

These benefits are aligned to the programme outcomes. They are at a high level at this stage, however greater investigation and analysis in Phase 2 will provide further detail and surety. Benefits will be defined and presented for each of the business cases required in Phase 2.

1A Non-Financial Benefits

The Revenue Service programme is intended to significantly improve customer satisfaction and deliver greater operational efficiency.

The intention is to provide a trusted, single service for the collection of tax and contributions, where individual, employer and company information may be submitted, updated and calculated on-line. This will allow an individual, employer or company to check on the status of their tax or contributions accounts on-line, and make payment of any amounts due, in real-time, 24/7. Using the following series of measures, amongst others, the programme will improve customer experience and further reduce the stress and administrative burden of contribution and tax submissions:

- Use of a well signposted log-in, common to an ever-growing set of services across the States. For authentication purposes, this would use details that an individual is familiar with and which are used regularly, such as email and mobile number. This would reduce the likelihood of forgetting sign-in details, bringing authentication processes in line with modern, accepted, international standards and, therefore, maintaining the security of the service;
- Assessments or classification would happen instantaneously⁵ where possible, otherwise customers would be able to monitor the progress of their query online. Once an assessment or invoice is received, the individual would then be able to pay or receive repayment immediately⁶, concluding the transaction in

⁵ Currently it generally takes between one day (if fully automated) and six months to provide customers with income tax assessments.

⁶ Currently an individual has thirty days to pay any tax owing on assessment. If a repayment is being made to an individual, they are advised by a statement accompanying the assessment and a cheque is posted separately up to four weeks later.

one interaction. Currently over 80% of Income Tax on-line submissions are fully automated with no or minimal review, this provides a good platform from which automated customer interaction can be extended;

- During submission or online interaction, improved help and assistance would be provided by displaying known data and through plain English hints & tips on what is being asked for;

Example Customer Experiences:

Meet Andy. Andy is a self-employed builder with 5 employees.	
Current Challenges:	Goals:
<ul style="list-style-type: none"> - Andy has different references as an individual and an employer, and his references differ between Income Tax and Contributions, - Andy is not sure which contributions card he needs to return to the office, - As tax isn't deducted at source on his business income, Andy isn't clear what he needs to pay and when. 	<ul style="list-style-type: none"> - Make sure he pays the correct amount of income tax and contributions, both for himself and for his employees, - Not miss any filing or payment deadlines and be penalised or subject to late payment surcharges.
Future Journey:	
<i>February</i>	Andy decides to register online as an individual, in addition to his online employer registration. <ul style="list-style-type: none"> - Andy registers online using familiar details and links his employer and individual accounts.
<i>End of the Quarter</i>	Andy receives an electronic reminder of his filing and payment obligations as an employer and a self-employed individual. <ul style="list-style-type: none"> - Andy logs in online after receiving the reminder, - He is able to submit the details of his own employment and the returns for his employees, - Andy then pays the total sum owed online, - Andy receives electronic confirmation that his payment has been received and his employer obligations have been met for the quarter.
<i>January</i>	Andy receives an electronic reminder that his Income Tax return for the year before last is now late. <ul style="list-style-type: none"> - Andy logs into his online account before work, - His existing data presented. He updates his details and adds any additional information required. Andy then submits the information for tax assessment. He is then provided with an immediate assessment advising him that he owes £360, - Andy is able to pay online immediately and receives confirmation that no further action is needed in relation to that year.

Meet Nicky. Nicky is a single accountant with two young children. She is employed, with a small share portfolio.	
Current Challenges:	Goals:
<ul style="list-style-type: none"> - On-line registration for Income Tax is relatively complicated and log-in details are only used once a year, and - Information which is received at different times of the year and in different formats all needs to be entered into the same form. 	<ul style="list-style-type: none"> - Make sure she has paid sufficient contributions to receive benefits and to receive her full pension, - Pay the right amount of income tax, and - Not miss the 30th November personal income tax return deadline and be penalised.
Future Journey:	
<i>January</i>	<p>Following press and communications broadcast around Guernsey on the new digital Revenue Service, Nicky decides to register.</p> <ul style="list-style-type: none"> - She registers online using familiar details, and - Receives login details via email.
<i>February</i>	<p>Nicky receives a share dividend.</p> <ul style="list-style-type: none"> - Nicky logs into her account, and - Uploads dividend details into her account so she doesn't forget or have to find the paperwork next year.
<i>May</i>	<p>Nicky is concerned that she hasn't made enough contributions as her employer's finance department had a change in staff and some contributions might have been missed.</p> <ul style="list-style-type: none"> - Nicky logs into her account and checks her current contributions status. She is relieved to see her social insurance, long-term care and health contributions are up to date.
<i>July</i>	<p>Nicky receives notice of an increase in mortgage interest and a new mortgage statement.</p> <ul style="list-style-type: none"> - Nicky updates her mortgage details in her account, - Nicky is immediately advised of any changes to her tax code, and - Nicky's employer is informed of any tax code changes and amends the amount of tax automatically taken from her next month's pay.
<i>January</i>	<p>Nicky decides to submit tax details early.</p> <ul style="list-style-type: none"> - Nicky logs in one evening, - Existing data is presented, including salary, share and mortgage information. Nicky confirms existing details and adds any missing data. She then submits the information for income tax assessment. - She is provided with an immediate assessment which advises her that she is owed £430, and - The online services ask Nicky for her bank details and processes the £430 repayment immediately via BACS.

1B Financial Benefits

The Programme intends to significantly reduce operating costs. This will be achieved by removing service duplication and integrating similar activities, introducing greater automation, and modernising service provision. When the programme is completed, the cost for IT maintenance and development, customer interaction and the service workforce are all likely to be reduced.

Maintenance and Development Costs

Specialist support is currently required for the IT systems in Income Tax and Contributions. In addition, due to the age and complexity of the technology, developments to the existing IT systems and rules rely on particular contractors to implement. More modern systems should further reduce IT costs by enabling some updates or changes to be completed internally (subject to sufficient in-house expertise being included with the Revenue Service) or at more competitive rates.

External providers currently cost the service areas approximately £794,000 a year. Replacing the legacy systems will likely save the majority of this operating cost.

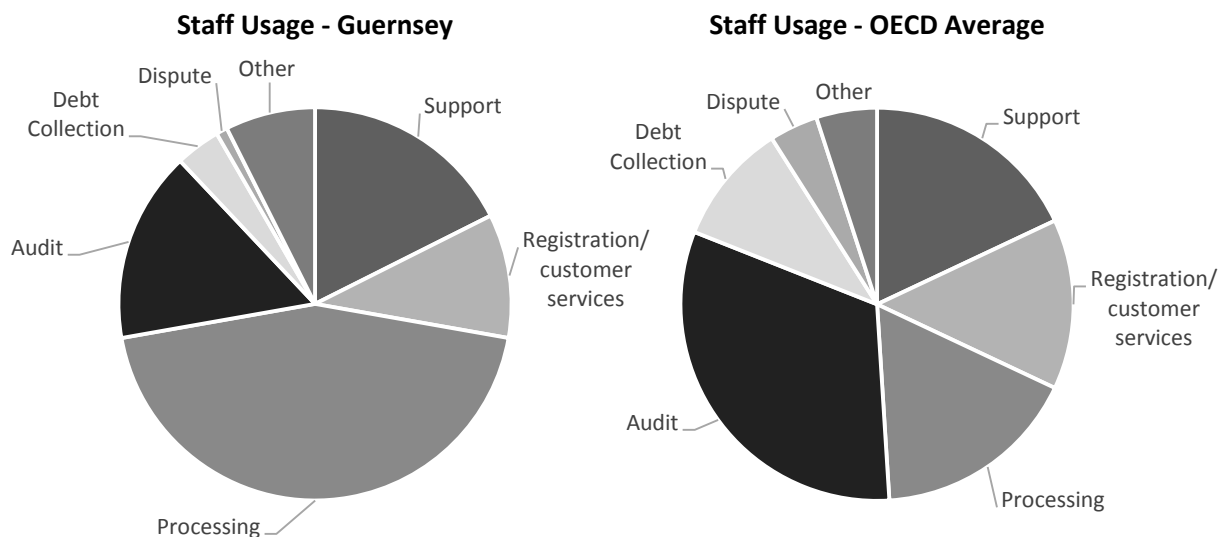
Using Digital Services

In order to ensure data security and as a result of the limitations of the existing IT systems, Income Tax and Contributions currently have a reliance on postal interaction with customers. By being able to use secure online services and offer personalised access to customers, the services will be able to save the majority of the cost associated with payments by cheque and large postal communications such as the sending out of coding notices. For example, Income Tax's postal budget is currently over £80,000.

Workforce Changes

Removing duplication and introducing greater digitisation and automation is predicted to, over time, reduce the amount of resource required to run the Revenue Service. It is anticipated that, through a combination of redeployment and natural wastage (voluntary retirement and resignation) the workforce employed by the Revenue Service will be able to be maintained at a smaller number.

The charts below illustrate staff usage by function in Guernsey's Income Tax and Contributions service areas and as an average for collection administrations in OECD⁷ countries.



This illustrates a different pattern of staff usage in Guernsey. Whilst the average pattern for OECD countries may not be found to be the most appropriate staff distribution locally, it does indicate that there is scope for a change in employment patterns based on greater automation. Experience in other change programmes would further indicate that workforce changes are possible and, if approached correctly, could deliver savings.

Total Financial Benefits

At this point the long-term programme benefits require further definition, which the next phase will help refine and quantify by measuring the impact of digital services. Based on other change programmes which increased automation and introduced digital services, it is anticipated that the programme may be able to deliver a total recurring saving of up to 30% of current costs, which would equate to approximately £1 to 3m per annum.

⁷ [Tax Administration 2017 – Comparative Information on OECD and Other Advanced and Emerging Economies](#)

APPENDIX 2

LEGISLATIVE ENABLEMENT

The Income Tax and Contributions service areas currently operate under two different sets of legislation; this involves separate statutory official roles, appeals processes, and data sharing and confidentiality requirements.

The Income Tax service operates under the Income Tax (Guernsey) Law, 1975. The Law places the care and management of Income Tax with a Director, subject to the general direction and control of the Policy & Resources Committee. The Director has day-to-day control of the service (and the administration of any approved international agreements), supported by any Deputy Directors appointed. Any appeals are referred to the Guernsey Tax Tribunal, with subsequent appeals on a point of law made to the Royal Court.

The Social Insurance (Guernsey) Law, 1978 sets out the arrangements under which the Contributions service operates. The Law provides for the determination of claims and questions to be adjudicated by the Committee *for* Employment & Social Security. Any subsequent appeals, on a point of law, are made to the Royal Court. Unlike in the Benefits section of the Law, no tribunal process is in place. The Committee are able to delegate some powers to the Administrator of the Social Insurance Law (“the Administrator”).

In order to introduce a single, fully integrated Revenue Service for the collection of income tax and contributions and provide a consistent experience for customers, some legislative change is required, as set out below. These changes will enable the Revenue Service to run effectively and also provide as consistent a journey as possible for customers.

These propositions will not, however, change responsibility for policy functions, which for income tax will remain with the Policy and Resources Committee, and for contributions and benefits will remain with the Committee *for* Employment & Social Security, nor do they propose aligning all of income tax and contribution rules.

Statutory Official

The Committees are proposing the replacement of the statutory official role of Director of Income tax and the contributions functions of the Administrator and the Committee *for* Employment & Social Security with a single statutory official – the Director of the Revenue Service (“the Director”).

The Director would be responsible for the functions currently carried out by the Director of Income Tax and would be responsible for the care and management of the

Contributions functions in the Social Insurance Law, under the general direction and control of the Policy & Resources Committee for operational matters.

Policy functions for contributions and benefits would remain with the Committee *for* Employment & Social Security and policy functions for income tax would remain with the Policy & Resources Committee.

Route of Appeal

The Committees are proposing replacement of the current routes of appeal to the Guernsey Tax Tribunal and the Committee *for* Employment & Social Security with a single aligned route to an independent Revenue Service Tribunal.

Specifically, for contributions this would mean that appeals “as to the class of insured person in which a person is to be included and as to the liability of an insured person to pay contributions of any class” would be taken to the Revenue Service Tribunal rather than the Committee *for* Employment & Social Security. Questions regarding “whether the contributions conditions for any benefit are satisfied” would continue to be determined the Administrator, with a right of appeal to the Social Insurance Tribunal.

An independent Revenue Service Tribunal would help to align the appeals processes for income tax and contributions and would provide a more consistent customer experience. References from the Revenue Service Tribunal on a point of law (with the consent of all parties) or an appeal against the decision of the Revenue Service Tribunal would continue to be heard by the Royal Court.

It is also proposed that the age limit currently included within the membership conditions for the Guernsey Tax Tribunal not be carried across to the Revenue Service Tribunal. This will ensure that the most suitable members can be recommended irrespective of age.

The existing Guernsey Tax Tribunal has been consulted on these proposals, and has confirmed it is willing to work towards its replacement with a Revenue Service Tribunal.

Data Safeguarding and Confidentiality

The Committees are also proposing alignment of the data safeguarding and confidentiality requirements for the Revenue Service, which will continue to keep pace with modern frameworks and technology, whilst ensuring that existing legal gateways that allow for the disclosure of information to other persons for the performance of their functions may continue (examples include disclosure of information to enable the payment of benefits, for the investigation of crime and for the Rolling Electronic Census amongst others).

The Committees are also proposing expanding the existing legal gateways to allow for the disclosure of information for the purposes of the preparation of the general estimate of the revenue of the States and the provision of economic advice and analysis. This recognises the strategic importance of such data in calculating Guernsey's Gross Domestic Product and informing future policy.

To ensure that the operations of Law Enforcement are appropriately supported, the Committees are also proposing enabling the Director to disclose information to Law Enforcement for the purpose of civil forfeiture.

Both the Income Tax Law and Social Insurance Law include provisions as to data safeguarding and confidentiality. These need aligning to ensure they remain fit for purpose, keep pace with modern frameworks/technology and meet the requirements of the Revenue Service.

The Income Tax Law currently requires an oath of secrecy to be taken before an individual can be provided with any records. It is proposed to remove this requirement and replace it with a general prohibition in the Law against the disclosure of information. This would bring Income Tax into line with the provisions in place for Contributions data.

It is an opportune time to make the following proposals in respect of the confidentiality and disclosure provisions, which include putting some matters beyond doubt:

- Extend criminal sanctions to cover situations where records are accessed without a lawful authority or legitimate purpose;
- Elevate sanctions to bring them more into line with best practice and to ensure sanctions are the same for each service. Currently a violation of Income Tax disclosure and confidentiality provisions is sanctioned by imprisonment for a term not exceeding six months and/or a fine up to level 4 on the uniform scale (£5,000). For Contributions, a violation is sanctioned by imprisonment of one months and/or a fine of up to level 2 on the uniform scale (£1,000). It is proposed to align sanctions under both Laws to a term not exceeding two years and/or a fine not exceeding twice level five on the uniform scale (Level 5 is £10,000 currently), in order to reflect the importance placed on the confidentiality and security of the data to be held by the Revenue Service;
- Extend the confidentiality and disclosure provisions to cover any person that accesses records accidentally or in an unauthorised manner and any person who has been requested to perform any task in which they may obtain access to records, even if they are not directly employed by the service; and
- For the avoidance of doubt, clarify that disclosure and confidentiality provisions remain in place in perpetuity.

Other Legislative Enablement

Whilst significant changes to Income Tax or Contributions policy, or major legislative reform, are outside the scope of the programme, smaller changes to the operational requirements in the legislation will be considered where they align activities and improve the quality of service provided to customers, ensuring that the greatest possible benefits can be achieved.

Further benefits may be driven by helping to enable a more risk based approach to assessment and collection, this can be supported by enabling Statements of Practice to be issued for contributions, as they are for income tax, and at the same time enabling them to be issued for the purpose of giving administrative relief, where the administrative effort of pursuing revenues outweighs the benefits.

As the programme progresses, areas of operational inconsistency between Income Tax and Contributions are likely to be identified, the alignment of which may help to drive better integration or a better customer experience. The Committees intend to report back to the States where potential legal changes are identified, but only when these will offer greater benefit than cost.