

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

Subject: Revenue Service

States’ Member: Deputy S J Falla

Date received: 21st March 2024

Date acknowledged: 21st March 2024

Date of reply: 5th April 2024

Questions

1. How many £200 fixed penalties for non-filing of returns were imposed in 2022 and in 2023?
2. How many £200 fixed penalties were later not pursued after the taxpayer had evidenced they had indeed filed a return?
3. Is the fixed rate of 5 per cent repayment supplement on overpayments still appropriate and is it scheduled for review?
4. What was the total cost of repayment supplements in 2022 and 2023?
5. What is the current scale of the backlog in respect of processing income tax returns?

Response

1. Late filing penalties were imposed as follows:

	2021 returns (in 2023)	2020 returns (in 2022)
Personal tax returns - £200 initial penalty	2,800	3,034
Company tax returns - £300 initial penalty	1,700	1,657

2. Penalties may be rescinded for a variety of reasons, not just where the taxpayer has evidenced submission of a return, therefore this data is not available. It is noted that a common issue is where a customer has changed their circumstances, for example

married in 2021, then submitted a joint 2021 return, when individual 2021 returns were required. In such circumstances, once it can be confirmed that the relevant spousal information is on the joint return, the penalty will be rescinded, although it is noted that those returns then require manual processing. More information and some common FAQs can be found at [Penalties - States of Guernsey \(gov.gg\)](https://www.gov.gg/penalties).

3. The Policy & Resources Committee last considered the rate for both surcharges (in respect of late payment of tax to the Revenue Service) and supplements (in respect of late repayments made by the Revenue Service) in July 2021, when they were determined to be comparable to those applied by other jurisdictions, such as Jersey and the Isle of Man.

The HMRC rates, which are linked to the Bank of England base rate, were noted as follows:

- Late payment interest, set at base rate plus 2.5% - so 7.75% from 22 August 2023
- Repayment interest, set at base rate minus 1%, with a lower limit of 0.5% (known as the 'minimum floor') – so 4.25% from 22 August 2023

The rate is not currently scheduled for review.

4. A supplement is paid by the Revenue Service where a repayment is due to a customer and it is not made within one year of the Revenue Service having received a fully completed tax return. Further supplements are due for every following six months the repayment is not issued.

The total cost of repayment supplements was £448,630 in 2022 and £631,107 in 2023. The increase in the sum paid is accounted for by two large corporate repayments.

Over the same period surcharges were imposed amounting to £106,148 in 2022 and £154,887 in 2023.

5. Information about the scale of the backlog in respect of processing income tax returns is published quarterly and can be found at [Tax Return Backlog Statistics - States of Guernsey \(gov.gg\)](https://www.gov.gg/tax-return-backlog-statistics).

As at 17 March 2024, the percentage of returns assessed for each year can be summarised as follows:

Personal in total – 2020 79%, 2021 61%, 2022 36%

Corporates in total – 2020 93%, 2021 86%, 2022 16%

Deputy Lyndon Trott
President