WRITTEN QUESTION TO THE MINISTER FOR TREASURY AND RESOURCES BY DEPUTY M.B. ANDREWS OF ST. HELIER NORTH QUESTION SUBMITTED ON MONDAY 23rd OCTOBER 2023 ANSWER TO BE TABLED ON MONDAY 30th OCTOBER 2023

Question

"Will the Minister state how much additional revenue would be generated through the abolition of the Upper and Lower Earnings Limits on Social Security contributions?"

Answer

Regarding the question about the upper earnings limit (UEL), the response to WQ.189/2023 stated that using data from the year of assessment 2021 there would be additional revenue raised of £9m into the Social Security Fund. A key assumption made is that there would be no change in employer or taxpayer behaviour as a result of removing the UEL.

With reference to abolishing the lower earnings limit (LEL), it is not possible to quantify the revenue impact of this change due to the intricacies surrounding the LEL.

Removing the lower earnings limit will allow people with very low levels of earnings to maintain a contribution record and claim contributory benefits. However, it will also mean that some of these people will be required to pay Social Security contributions to do so, rather than claiming an exception to pay through Low Income Contribution Relief.

The Social Security Fund normally receives a States Grant, funded by the general taxpayer. The States Grant is paid annually, except as otherwise agreed by the States Assembly. The calculation of the States Grant is linked to the contributions made by those who earn below the standard earnings limit (£5,060 per month, equivalent to £60,720 per year).

Removing the LEL would require the value of the States Grant to be increased to "supplement" the contributions of these very low earners up to the level required. This would be a cost to the Consolidated Fund. It is not possible to quantify the revenue or expenditure impacts on the Social Security Fund of these changes accurately given existing data sources and possible behavioural changes.