

3.14 Deputy G.P. Southern of the Minister for Treasury and Resources regarding the disregard of employee social security contributions for income tax purposes:

Will the Minister confirm that while employee social security contributions are not disregarded for income tax purposes, employer contributions are allowed to be set against taxation on company profits at the rate of 52 per cent and, if so, will the Minister undertake to address this anomaly?

Senator P.F.C. Ozouf (The Minister for Treasury and Resources):

I am not sure that the Deputy understands the system here. I will attempt to explain it. Employees get no tax relief for their social security contributions in their tax assessment, however Article 70A of the Income Tax Law allows as a proper deduction against profits of a trade or profession by a self-employed individual 52 per cent of the total of social security contributions paid by the self-employed person. That equates to the employer's social security contribution that would be payable if the person was an employee and which an employer obtains tax relief as an expense. The measure was introduced in 1980 on grounds of equity for the self-employed as opposed to companies and professions. There is no anomaly as I can see it, indeed quite the opposite. This measure was warmly welcomed, I am told at the time, and has caused no controversy since it was introduced some 30 years ago.

3.14.1 Deputy G.P. Southern:

Will the Minister undertake to ensure that Lord Foot who has this statement in the back of his latest report is clarified equally as I just have been?

Senator P.F.C. Ozouf:

I do not believe it is Lord Foot, it is Michael Foot, and if he requires, and his officials, any confirmation then I am happy to do so at a meeting that we are having later on today.