

STATES OF JERSEY



DRAFT SOCIAL SECURITY (AMENDMENT No. 20) (JERSEY) LAW 201- (P.64/2011): AMENDMENT (P.64/2011 Amd.) – COMMENTS

**Presented to the States on 1st June 2011
by the Minister for Treasury and Resources**

STATES GREFFE

COMMENTS

Having reviewed the contents of the report for the proposed amendment, the Minister for Treasury and Resources considers that there are a number of legal and procedural difficulties which make it impossible for him to support. The observations set out below reflect advice given by the Taxes Office during the preparation of the main Amendment by the Social Security Department.

- The Minister is in agreement with the intention of the amendment to streamline administration and improve service delivery. Notwithstanding that no tax deductions are to be made from any components of insolvency benefit, it remains that certain components would still be considered taxable.

However:

- To deduct tax under ITIS from such components could be considered punitive on individuals who may already be suffering hardship due to their financial circumstances.
- It would be necessary for Social Security to deduct and account to the Comptroller of Taxes for any deductions made. There are issues to overcome should the Taxes Office be required to pass effective rate notices to Social Security.
- ITIS deductions would only be required on certain components of the insolvency benefit – quite possibly the smallest component.
- The Income Tax Law as it stands would likely be required to be amended to require the Social Security Department to make these deductions.
- It has not been quantified, and it would be virtually impossible to determine, how much actual revenue would be lost should Income Tax not be deducted from any taxable component of the insolvency benefit. However, the Taxes Office believes that it is not likely to be considerable. The Taxes Office would contend that any arrears would be collected through ITIS when an individual finds new employment.

Having regard to the above issues, and whilst acknowledging the good intentions of this amendment, the Minister for Treasury and Resources is unable to support it.