

STATES OF JERSEY



Jersey

DRAFT COVID-19 (SOCIAL SECURITY – REDUCTION OF CONTRIBUTION RATES) (JERSEY) REGULATIONS 202- (P.96/2020) AMENDMENT

**Lodged au Greffe on 24th August 2020
by the Minister for Social Security**

STATES GREFFE

DRAFT COVID-19 (SOCIAL SECURITY – REDUCTION OF CONTRIBUTION RATES) (JERSEY) REGULATIONS 202- (P.96/2020) AMENDMENT

1 PAGE 14, REGULATION 5 –

After Regulation 5, insert –

“6 Non-application to calculation of a deduction from income for the purposes of the Income Support (General Provisions) (Jersey) Order 2008

Regulations 2, 3, 4 and 5 are to be treated as not applying to Class 1 and 2 contributions when construing the reference to the Social Security (Jersey) Law 1974 in paragraph 4(1)(c)(i) of Schedule 2 to the Income Support (General Provisions) (Jersey) Order 2008 for the purpose of calculating a deduction from income under that paragraph.”.

2 PAGE 14, REGULATION 6 –

Renumber Regulation 6 as Regulation 7.

3 PAGE 14, REGULATION 7 –

Renumber Regulation 7 as Regulation 8.

MINISTER FOR SOCIAL SECURITY

REPORT

Background

P.96/2020 proposes a temporary reduction in Social Security contributions for nine months to increase the take-home pay for approximately 55,000 workers and self-employed islanders. This is part of the £150 million fiscal stimulus support package the Council of Ministers announced in July to help the economy – help people and businesses – recover as quickly as possible from the effects of the Covid-19 pandemic and social restrictions.

Purpose of amendment

This minor amendment to the Regulations ensures that workers who are claiming Income Support will see an overall increase in household income, as a result of the contribution rate reduction.

Without the amendment, Income Support rates would be adjusted downwards to balance the increase in take-home pay and the Income Support household would not see any benefit from the contribution rate reduction.

With the amendment, Income Support rates will not be adjusted downwards, removing the need for administrative changes at the beginning and the end of the rate reduction period, and working families receiving Income Support will see an increase in their overall household income for this nine-month period in the same way as other working families will.

Contributions and the Income Support (General Provisions) (Jersey) Order 2008 (the “GPO”)

The Income Support (General Provisions) (Jersey) Order 2008 describes how Income Support calculates a household’s income from earnings. Earned income reduces a household’s Income Support entitlement. However, the Order allows for the cost of contributions to be taken into account as part of the calculation.

The proposed amendment ensures that this calculation is not affected by the temporary reduction in the contribution rate but continues to use the underlying figure of 6% as the basis of the calculation. This ensures that Income Support rates will not be recalculated purely due to the temporary change in contribution liability.

Note that the Income Support calculation only deducts the 6% contribution liability if the individual is required to pay contributions. A minority of workers are not required to pay contributions and in this case the Income Support calculation does not make any deduction. These workers will be unaffected by the reduction in contribution rate and likewise their Income Support rate will not be adjusted.

Financial and manpower considerations

The proposed amendment does not give rise to any additional financial or manpower considerations. Note that there would be a reduction in Income Support expenditure if the amendment is not approved as individual Income Support claims would be

reduced in value by the same amount as the value of the contribution rate reduction for each individual worker. There would be an increase in manpower requirements if the amendment is not approved as individual Income Support claims would need to be adjusted and customers notified of the amended amount at the beginning and end of the temporary reduction in the contribution rate.