

# STATES OF JERSEY

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## **INCOME SUPPORT AND GST FOOD COSTS BONUS: ADDITIONAL FUNDING (P.163/2008) – AMENDMENT**

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**Lodged au Greffe on 18th November 2008  
by Deputy S.C. Ferguson of St. Brelade**

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**STATES GREFFE**

INCOME SUPPORT AND GST FOOD COSTS BONUS: ADDITIONAL FUNDING (P.163/2008) –  
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For the figure “£3,400,000” substitute the figure “£2,914,000” and for the words “as set out in Table A on page of the attached report” substitute the words “as set out in revised Table A on page 6 of the report accompanying the amendment of Deputy Sarah Craig Ferguson of St. Brellade dated 17th November 2008’.

DEPUTY S.C. FERGUSON OF ST. BRELLADE

## **REPORT**

### **Philosophy of original proposition**

P.138/2008 was designed to compensate for the effect of GST on food and fuel for the less well-off members of the community. It was intended to achieve a more focussed approach than that achieved by merely making all GST food items exempt. It was also intended to keep the system simple and more efficient and economical.

### **Groups to benefit**

The Assembly is keenly aware of the need to make sure that those on Income Support are taken care of. However there is another group, middle Jersey, which falls into the marginal relief tax band. Foremost amongst these are young families and pensioners. This group does not qualify for Income Support but is struggling with the effect of GST on increased costs of food and fuel, particularly the pensioners.

### **Additional monies already pumped into income support**

Additional monies of some £1.75 million have been pumped into Income Support to cover the effect of GST. There has also been an uplift in the winter fuel allowance of 28% or £150,000.

It would also appear that since an allocation to cover GST has already been made, then the additional monies have been used to improve those areas where shortcomings have been made apparent rather than merely covering the GST effect. These are all essential changes and, because of these, the division of the monies allocated has been a 50:50 split rather than giving the greater share to middle Jersey in the form of tax allowances.

### **Rationale of proposals**

The Minister for Treasury and Resources has allocated some £5.8 million to cover the broad proposals in P.138/2008. The original division was 59% to income support and 41% to middle Jersey. This seems inequitable. This latter group, as previously stated, includes pensioners and families who pay tax and do not benefit from Income Support.

These revised figures are based on splitting the available funds approximately in half and allocating £2.9 million or 50%, to Income Support and 50% (£2.9 million) to middle Jersey.

The proposals submitted by the Social Security Department allocated the £3.4 million across a number of benefits under a carefully thought-out prioritisation schedule. The alterations made under this amendment have recognised these priorities and all except the lowest priority are preserved. The Revised Table A shows the original allocations and the changes which have been made.

Table B shows the priorities ascribed by Social Security to the allocations. It can be seen by comparing Tables A and B that this amendment follows the priorities exactly.

The GST Bonus applicable to those who are above the level of Income Support but who do not pay tax is unchanged at the increased level of £150. This equates to GST suffered on expenditure of £5,000.

The funds were also being used to make savings in the transitional costs. This will reduce by £109,000 as a result of the changes and there will be an increase of 34 in the number of claims remaining in transition. These are not totally in the spirit of P.138/2008 since there have already been some £4.1 million in 2009 and £1.9 million in 2010 in increased allocations to Social Security in order to assist the transitional relief. These build on the £6.7 million allocated to transitional provisions in 2008.

### **Conclusion**

This amendment is designed to make a more equitable distribution of the funds to ameliorate the effects of GST. There are never sufficient funds to cover every eventuality. It would have been preferable to retain the division as originally proposed and to find extra monies for the income tax exemption allowances. However it would have been quite inequitable to penalise middle Jersey and not to make allowances for the effects of GST on that section of the community, particularly in this time of rising costs. At the same time it has been necessary to restrain the sums expended to the total amount allocated by the Minister for Treasury and Resources in order to preserve financial prudence.

17th November 2008



**Revised Table A**

<i>Ref.</i>	<i>Type</i>	<i>Description</i>	<i>Proposed increase</i>	<i>Revised Increase</i>
1.	GST Bonus	Annual payment	£75 per annum	unchanged
2.	Income Support Disregard	Earned income	4%	unchanged
3.	Income Support Disregard	Maintenance income	10%	unchanged
4.	Income Support Disregard	LTIA income	5%	unchanged
5.	Income Support Disregard	Pension income (under 65)	5%	unchanged
6.	Income Support Disregard	Pension income (over 65)	£4.97 per week	unchanged
7.	Income Support Disregard	Pension income (over 65)	£7.91 per week	unchanged
8.	Income Support Component	Personal care level 2	£7.00 per week	unchanged
9.	Income Support Component	Personal care level 3	£7.00 per week	unchanged
10.	Income Support Component	Adult	£0.98 per week	£0.21 per week
11.	Income Support Component	Child	£0.63 per week	£0.14 per week
12.	Income Support Component	Lone parent	£0.98 per week	£0.21 per week
13.	Income Support Component	Household	£0.49 per week	£0.14 per week

**le B**

<i>Priority Measure ( )</i>	<i>Proposal</i>	<i>Full year cost (£000s)</i>	<i>Amended Proposals  £(000s)</i>
	Increase earnings disregard from 6% to 10%. Anyone with earned income in an IS household currently receives a 6% disregard against gross earnings. Social Security contributions are also disregarded	900	unchanged
nt	Introduce a 5% disregard on long term incapacity benefit income. At present, Income Support is reduced pound for pound by other benefit income. There are a significant number of older people who receive LTIA who have poor prospects of re-entering employment.	500	unchanged
nt	Introduce a 5% disregard on pension income paid to those below the age of 65. At present, Income Support is reduced pound for pound by other benefit income. The main pension disregards in Income Support are only available to those aged 65 and over.	40	unchanged
	Increase pension disregards for those aged 65 and above by £4.97 per week (£7.91 for a couple both with pensions). These pensioners currently benefit from a disregard of £27.09 per week (£44.10 for a couple both with pensions) of their pension income.	500	unchanged
	Increase personal care components (levels 2 and 3) by £7 a week. A significant number of individuals eligible for these components (i.e. individuals with high personal care needs) will not benefit from any of the other disregards proposed.	200	unchanged
	Introduce a 5% disregard on maintenance income received. This will encourage lone parents to seek maintenance from absent partners.	200	unchanged
	Increase GST Bonus to £150 for 2009. Approximately half of the GST Bonus recipients receive protected payments which have been extended at 100% from October 2008 to October 2009. The other half do not receive any income support or protected payment benefit and do not pay income tax.	400	unchanged
	Increase basic components. Measures 1-6 above are designed to cover the vast majority of Income Support households. Increasing the basic components ensures that every single household receives a small increase in benefit income. On a general note, the higher the level of the basic components, the less the impact of disregards and incentives within the system.	700	174
	Total	£3,440	£2,914