

10.05.16

3.10 (9431) Deputy S.Y. Mézec of the Minister for Social Security regarding Social Security contributions for the self-employed:

What progress, if any, has been made on introducing further classes of Social Security contributions for the self-employed?

Deputy S.J. Pinel of St. Clement (The Minister for Social Security):

I thank the Deputy for his question. He is aware of my concern for the self-employed and their contributions. The first project listed in my department's published business plan for 2016 is, to quote: "Commence a major review of the Social Security Fund's sustainability." The review is currently in the planning stage and a public consultation is scheduled for later this year. As part of the review we will be looking at the level of contributions paid by the self-employed. The full review will last several years but the section on self-employed contributions will be one of the first areas to be examined in detail.

3.10.1 Deputy S.Y. Mézec:

This was, of course, one of the few promises made by this Council of Ministers when they took office and it has taken a year and a half to not particularly get very far, which cannot be satisfactory. Does the Minister recognise that if a new system of Social Security contributions is to be pursued for the self-employed in recognising their real incomes and the fact that many of these people are not particularly wealthy, in fact many of them take a pay cut to become self-employed and start a business, that to have a progressive system of social security contributions will likely mean a reduction in revenue for the Social Security Department from these people? What measure would she consider taking to make up for that lost revenue so that this can be done for these people?

Deputy S.J. Pinel:

As I said in my opening remarks, I am very aware of the difficulties faced by self-employed people and especially those who are newly self-employed, which with the current economic situation are increasing. The Deputy will be aware that we have in 2012 at Social Security introduced a deferred rate of contributions because in the past there has been criticism that someone starting a new business was charged Class 2 contributions based on their previous salary rather than their earnings from the new business, which could make it difficult to cover the cost of their contributions. In 2012 the department introduced a new scheme to assist new business owners and they now opt to pay contributions based on a set income for the first 2 or 3 years of the new business.

3.10.2 Connétable J. Gallichan of St. Mary:

Can the Minister give me some assurance that this review will also focus on the treatment of people who have recently lost their employment, who can find themselves on top of this cataclysmic event, faced with a bill for several thousand pounds at the end of the next quarter when they are deemed to be self-employed?

Deputy S.J. Pinel:

The review, the Social Security Fund review, is largely based on the sustainability of the fund. So we will be looking at contributions across the board in order to ensure that the pension fund as is is sustainable into the future. So it will be looking at encompassing all things. On page

129, I think, of the Medium Term Financial Plan there are 10 bullet points which the review will be addressing.

3.10.3 Deputy R. Labey:

Does any data currently exist or is an evaluation currently being made on how important the self-employed entrepreneur is to the local economy and how much of a detriment it is to tax them twice?

Deputy S.J. Pinel:

Yes, as I say, the planning process is already underway with the Social Security review and that will be taken into account as will all other aspects of the fund review.

3.10.4 Deputy R. Labey:

In which case, how important do you think the self-employed are to the local economy personally, as the Minister?

Deputy S.J. Pinel:

Extremely important and I have said that ever since I was elected as Minister, which is why it is first on the list of priorities within that review.

3.10.5 Deputy M. Tadier:

Will this review also take into account looking at abolishing the upper earnings limit cap so that Social Security can be charged on all earnings and not just on those under the ceiling?

Deputy S.J. Pinel:

Yes, that will be looked at as well as changing the levels, the lower earnings rate, the standard earnings rate and the upper earnings level. It will all be taken into consideration.

3.10.6 The Connétable of St. Mary:

Having just taken a moment to digest the Minister's last answer to my last question, I am still not sure that the Minister has given me any assurance that the effect of paying self-employed rate contributions on the newly unemployed who are not, in their own eyes, self-employed because they are not yet engaged in a function. They are seeking work perhaps but she understands the complete double impact that this has; (a) you lose your job, you lose your salary, you lose your income and then (b) you are faced with a bill that you had no idea was coming. Can the Minister assure me that she understands my thrust?

Deputy S.J. Pinel:

Yes, I can understand the Connétable's concern and this is something we are addressing with the increasing number of people becoming unemployed. It is part of the ongoing situation and Social Security is certainly very well behind people becoming unemployed in every aspect and Back to Work under the auspices of helping to support and enable people to find new jobs.