

**WRITTEN QUESTION TO THE MINISTER FOR TREASURY AND RESOURCES  
BY DEPUTY M. TADIER OF ST. BRELADE  
QUESTION SUBMITTED ON MONDAY 8TH NOVEMBER 2021  
ANSWER TO BE TABLED ON MONDAY 15TH NOVEMBER 2021**

**Question**

Further to the response to [Written Question 414/2021](#), in which the Minister stated exempting Social Security contributions from tax would “materially reduce the States’ income” and that it could “cost many millions of pounds”, will the Minister provide the analysis on which these statements were made to show the precise financial impact of all employees’ contributions being made exempt from tax; and will she explain what consideration, if any, she gave to whether it would be morally right to introduce such a policy when stating she supports the existing policy?

**Answer**

No recent or comprehensive quantification of the costs treating Social Security contributions as a tax-deductible item exists. However it is self-evident that the impact upon tax receipts would be significant given the number of taxpayers with earnings on which they pay Social Security contributions. Arriving at an accurate estimate requires more complex and careful examination as there are a number of factors, which means that the benefit will be different for different taxpayers depending on their circumstances.

Nevertheless Officers’ “rough and ready” estimate suggests an amount in excess of £13 million, based upon the current estimate of islanders who do pay contributions and who also pay income tax. I am happy for officers to share the basis of that very broad estimate with the Deputy bilaterally where the complexities of arriving at better estimates can be explained.

Given the Government’s existing heavy work programme, I am reluctant at this time to commission a full analysis of the financial impact of changing the existing policy which I do support. Such a significant change of approach would self-evidently - cost many millions of pounds, which would put pressure across all public services, many of which are of significant benefit to low wage earners.

That said, in order to help Members better understand the potential financial impact of such a move, I have asked the Treasurer of the States, as Chair of the Income Forecasting Group, to commission further analysis as part of the preparation of the Spring 2022 income forecast. The additional analytical resources brought to bear at this time should assist in forecasting potential costs more accurately.

Policy changes of this type would be tested against Jersey’s long-term tax principles (page 120 of the current draft Government Plan). These expect changes, among other things, to be justifiable and fair – perhaps a reasonable proxy for “morally right”

It should be noted that employee contributions build eligibility and entitlement to a wide range of working age contributory benefits as well as the Social Security old age pension.

<b>Benefit</b>	<b>Payable when:</b>
Parental Allowance and Grant	You have a baby
Adoption Grant	You adopt a child
Short Term Incapacity Allowance	You’re signed off work with a medical certificate
Long Term Incapacity Allowance	You have a long-term illness or disability

Home Carer's Allowance	You're looking after someone with a long-term illness or disability
Survivor's Allowance	You're husband / wife / civil partner dies
Survivor's Pension	Your husband / wife / civil partner dies and you have dependent children
Old age pension	You've reached pension age
Death Grant	Someone dies (to help with funeral costs)
Medical Benefit	Subsidised costs when you visit your GP
Pharmaceutical Benefit	You get a prescription from your GP

It should also be remembered that some people work and pay employee contributions in Jersey for part of their working lives before moving to work and settle somewhere else. These people could benefit from the introduction of income tax relief whilst they live and work here, but they will not be Jersey residents later in life when their pensions would be subjected to Jersey income tax.

Finally, such a change might be considered regressive as many lower wage workers do not pay tax at all and that the benefit of tax relief would accrue only to those who earn enough to pay income tax. From one viewpoint, that might be considered unfair (though probably not fundamentally immoral) for an income-related levy.