

19-21 Broad Street | St Helier  
Jersey | JE2 3RR

Deputy Sam Mézec  
Chair Corporate Services Scrutiny Panel

By Email

7 September 2022

Dear Deputy Mézec,

### **Mini Budget Review – Public Hearing Outstanding Questions**

We are writing in response to the questions raised in your letter of 1 September 2022 and to provide you with a correction to our earlier letter of 26 August 2022.

#### **Correction to our previous letter**

In our letter of 26 August 2022, we provided an Annex A containing charts which showed the impact of the increase to the tax allowances to five household examples. These charts did not reflect the full value of the final proposals in the mini-budget and we enclose a corrected set.

#### **Response to your letter of 1 September**

Please find below the split of direct benefit payments and tax/social security measures as contained in the proposed package.

<b>Policy</b>	<b>2022 (£M)</b>	<b>2023 (£M)</b>	<b>Overall (£M)</b>	<b>% of Total</b>
<b>Income tax</b>	-	34.1	34.1	60%
<b>Social Security contributions</b>	9.0	-	9.0	16%
<b>Social security benefits</b>	5.6	7.7	13.3	24%
<b>Other measures</b>	0.1	-	0.1	0%
<b>Total (cost of package)</b>	14.7	41.8	56.5	100%

**1. *There are no targeted measures to assist small businesses. Can the Ministers explain why this is?***

The Cost of Living mini-budget is focused on putting money back into the pockets of Islanders who are most affected by the rising cost of living. This will, in turn, support demand for the goods and services supplied by Jersey businesses. However, Ministers also recognise the pressure that high inflation is placing on businesses. They will continue to monitor the situation.

**2. *Would you consider any targeted measures for small business or specific sectors as the costs to business rise (minimum salary caps, rental costs, energy prices)?***

As stated above, Ministers will continue to monitor the pressures on Jersey businesses across all sectors and will not hesitate to act if there is a strong case for doing so.

**3. *Why are there no measures to reduce employer's Social Security contributions?***

As outlined above, the intention of the mini-budget is to provide support to individual Islanders in the first instance, which will in turn support demand for the goods and services supplied by Jersey businesses.

**4. *What assessments have taken place to analyse the frequentation of Islanders to food banks and are there any measures planned to provide further funding and support for food banks? If not, why?***

Several local charities provide support through the provision of food and other goods. This support is fully independent of the Government of Jersey. Work is currently underway with local charities to gather anonymised data on food bank clients to build a better understanding of food bank usage. Ministers will consider this data and will formulate policy responses if necessary.

In the meantime, the Government of Jersey continues to work closely with charities and voluntary organisations to improve support services within the community.

**5. *"The reduction of social security contributions from 6% to 4% from October equates to £10 extra per week for a wage of £500 but drops to £7.36 for someone working on minimum wage over 40 hours, yet the mean average wage in Jersey was £820 in June 2021 (Source Gov.Je website) and would see these individuals benefitting from an extra £16.40 in their pockets".***

***We can see from this example that the lowest earners receive less help from the proposed new measures. Do these measures do enough for the lowest earners on the Island?***

As shown in the example, there is a greater absolute monetary saving for those with higher contributions bills. Islanders who earn more income pay more social security contributions. Conversely, when a temporary cut in contributions is proposed, those who earn more (up to the Standard Earnings Limit of £57,168) will benefit more in absolute terms than those who earn less income below this cap.

The 'lowest earners on the Island' are a diverse group and the support they receive will depend on their individual circumstances. All those paying Social Security contributions will see more money in their pockets from October 2022, while taxpayers will see a reduction in their tax liabilities, and for many their ITIS rates, for 2023. This includes Islanders who have lived in Jersey for less than five years. Those receiving Income Support or a States Pension will see an increase in amounts receivable. There have also been considerable increases to the Community Cost Bonus, the Cost of Living Temporary Scheme payments and the Cold Weather Bonus.

While it is impossible to directly target the 'lowest earners' through just one measure, we are confident that the suite of changes offered within the mini-budget will ensure that all Islanders on lower incomes are supported during the rising cost of living.

**6. What assessment has been carried out to assess the impact of the proposed measures in addressing the wealth and income inequality that exists on the island? Does the Minister believe these measures increase or decrease the inequality?**

The primary focus of Ministers during the development of the mini-budget was on providing support to those Islanders most in need in a quick and efficient manner. This necessitated working within existing legislative and operational frameworks and did not provide opportunity to target only those measures that would materially improve wealth and income inequality.

Overall, the package of support will have a limited impact on income inequality and a very limited impact on wealth inequality. However, it is important to consider each concept individually:

- **Wealth inequality:** None of the proposed measures will have any direct impact on wealth inequality. There could be secondary effects of the policies which reduce wealth inequality. However, reducing wealth inequality would require a mixture of policy measures, particularly wealth taxes such as capital gains and inheritance, none of which are currently part of Jersey's tax system.
- **Income inequality:** The impact on income inequality will be different across the different policy areas covered by the mini-budget. Changes to income tax thresholds and allowances will likely improve income inequality but the improvement will have the greatest effect on those in the middle of the income distribution (i.e. marginal rate payers). The temporary reduction in the rate of Social Security contributions is not expected to have an impact on income inequality. Proposals to increase the value of benefits and pension payments will have a positive impact on income inequality by increasing the income of those at the lower end of the income distribution. Other proposals, such as increases to the minimum wage, are expected to generate a modest positive impact but the extent to which that is realised in practice will be affected by several factors.

**7. We note from the proposition that no measures are proposed within the mini budget that would be contrary to the implementation of the Carbon Neutral Roadmap which was agreed by the previous States Assembly earlier this year. Given this stance, what environmental impact, if any, has been explored, including any potential indirect or unintended consequences?**

The environmental impact of the mini-budget is not considered to be significant.

The support package is designed to alleviate the cost pressures caused by inflation and help Islanders meet the rising costs of their existing bills, not to increase their consumption above that which they would ordinarily need. Although a significant increase in the consumption of fossil fuels for heating systems might be considered environmentally negative due to the rise in emissions, the support package is not intended, or expected to, cause an increase in energy consumption.

There may be some instances where Islanders are under-heating their homes because they cannot afford to pay for enough energy. The proposed increase in the Cold Weather Bonus may allow them to purchase slightly more energy to achieve better comfort levels. While this may result in a small rise in the overall amount of fossil fuel consumption, it would come with co-benefits of improved living conditions and better health outcomes. Even if this were the case, such a rise in a limited number of cases is not considered significant in the context of the Island's overall greenhouse gas emissions. Furthermore, the co-benefits provided by achieving adequate comfort levels are clearly the primary driving factor.

**8. We note from the media and a recent e-petition that there is growing public pressure to reduce road fuel duty. Can you talk us through the decision made to not include this as a proposed measure?**

Ministers are alive to the impacts of fuel price inflation and are monitoring the situation closely. That is why we are conducting a review of the fuel market in Jersey. Experience in other jurisdictions has shown that fuel duty cuts may not be passed onto the consumer and may generate unnecessary benefits for those on high incomes. We also know that in Jersey there is a persistently large difference between the lowest and highest price for road fuel. Ministers continue to review the situation and will factor the findings of the fuel market review into any action taken.

We trust the information contained in this letter will be useful for the Panel's review of the mini-budget. We also note the Panel's intention to publish this response.

Yours sincerely,

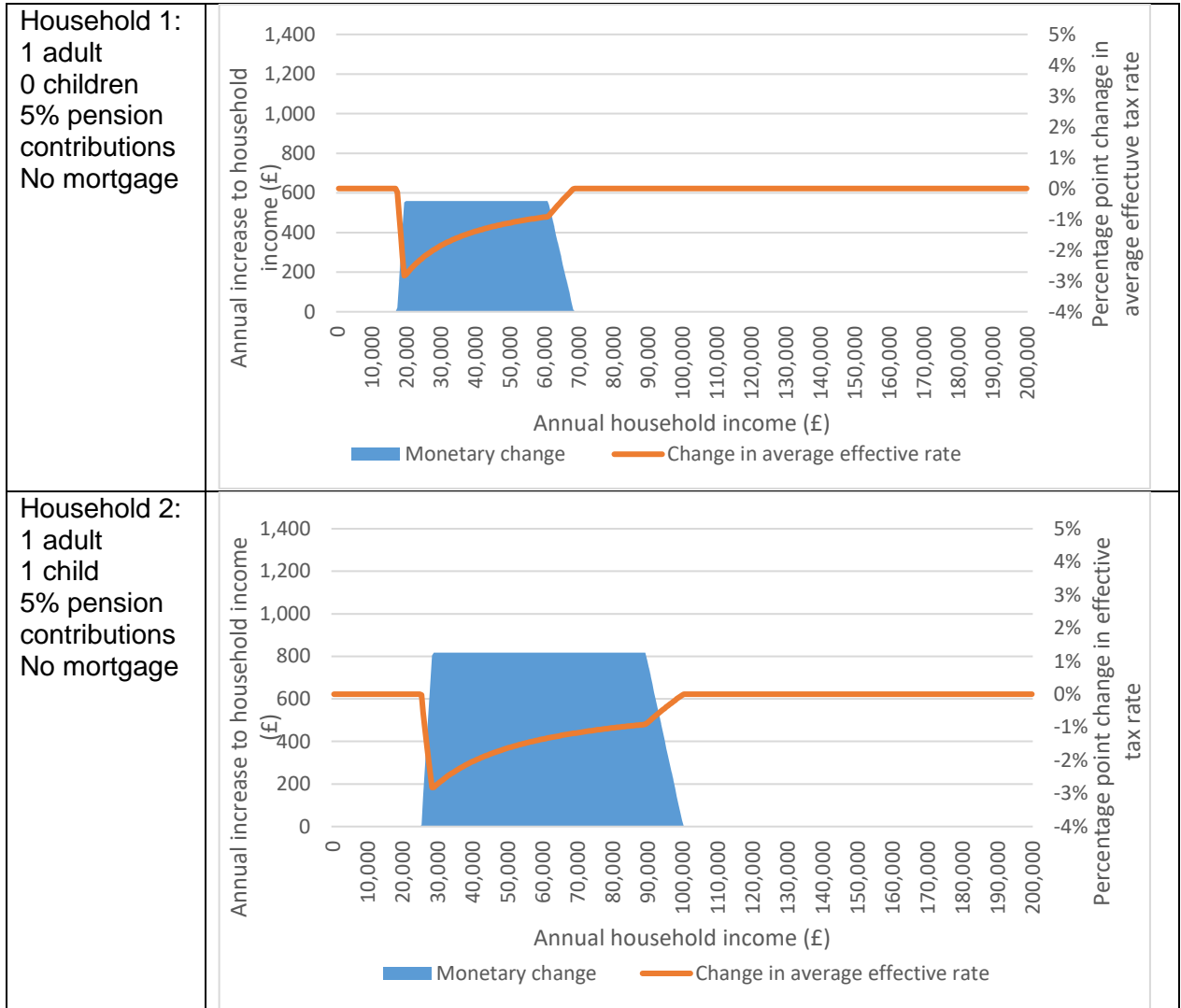


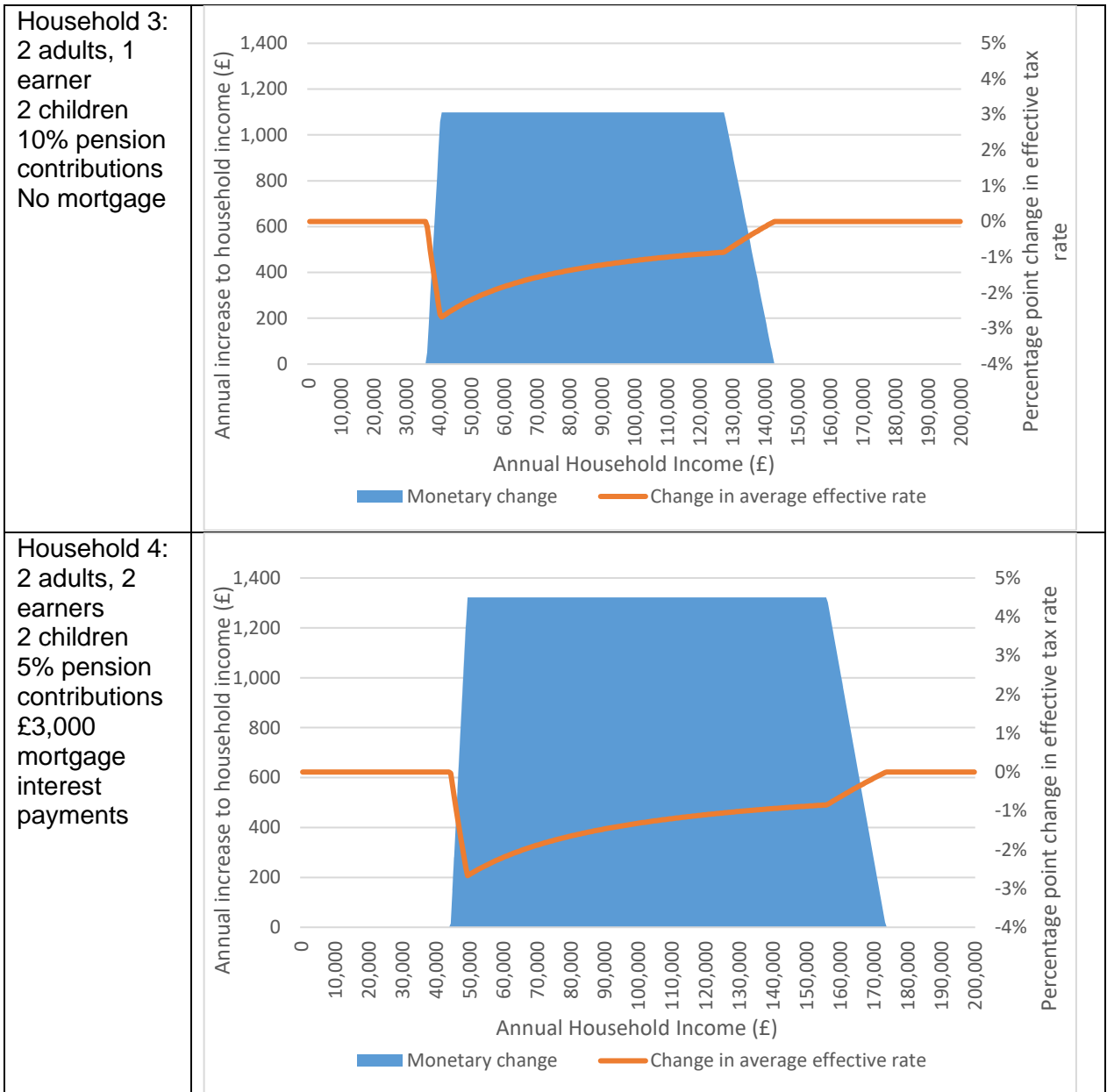
Deputy Ian Gorst  
Minister for Treasury and Resources



Deputy Elaine Millar  
Minister for Social Security

**Annex A: Updated analysis of impact of the proposed changes to income tax thresholds and allowances**





Household 5:  
(pensioners)  
2 adults  
0 children  
No pension  
contributions  
No mortgage

