STATES OF JERSEY

PROPOSED GOVERNMENT PLAN 2022–2025 (P.90/2021): TWELTH AMENDMENT

SOCIAL SECURITY CAPS

Lodged au Greffe on 30th November 2021
by Senator S.Y. Mézec

STATES GREFFE

1 PAGE 2, NEW PARAGRAPH (l) –

After paragraph (k), insert a new paragraph (l) –

"(l) to agree that the Upper Earnings Limit, as defined within the Social Security (Jersey) Law 1974, should be removed, abolishing the upper earnings limit cap on Social Security Contributions and on Long Term Care Contributions, increasing the estimated closing balance of the relevant Funds by £7,000,000 and £8,500,000 respectively".

and re-designate the existing paragraph (l) as paragraph (m).

SENATOR S.Y. MÉZEC

Note: After this amendment, the proposition would read as follows –

THE STATES are asked to decide whether they are of opinion −

to receive the Government Plan 2022 – 2025 specified in Article 9(1) of the Public Finances (Jersey) Law 2019 ("the Law") and specifically –

(a) to approve the estimate of total States income to be paid into the Consolidated Fund in 2022 as set out in Appendix 2 – Summary Table 1 to the Report, which is inclusive of the proposed taxation and impôts duties changes outlined in the Government Plan, in line with Article 9(2)(a) of the Law;

(b) to approve the Changes to Approval for financing/borrowing for 2022, as shown in Appendix 2 – Summary Table 3 to the Report, which may be obtained by the Minister for Treasury and Resources, as and when required, in line with Article 9 (2)(c) of the Law, of up to those revised approvals;

(c) to approve the transfers from one States fund to another for 2022 of up to and including the amounts set in Appendix 2 – Summary table 2 to the Report, noting that the transfer from the Consolidated Fund to the Technology Fund is subject to the Assembly's approval of a proposition to create such a Fund in 2022, in line with Article 9(2)(b) of the Law;

(d) to approve each major project that is to be started or continued in 2022 and the total cost of each such project and any amendments to the proposed total cost of a major project under a previously approved Government Plan, in line with Article 9(2)(d), (e) and (f) of the Law and as set out in Appendix 2 - Summary Table 4 to the Report;

(e) to endorse the efficiencies and other re-balancing measures for 2022 contained in the Government Plan as set out in Appendix 2 Summary Table 6 and reflected within each gross head of expenditure in Appendix 2 – Summary Table 5(i);

(f) to approve the proposed amount to be appropriated from the Consolidated Fund for 2022, for each head of expenditure, being gross expenditure less estimated income (if any), in line with Articles 9(2)(g), 10(1) and 10(2) of the Law and set out in Appendix 2 – Summary Tables 5(i) and (ii) of the Report;

(g) to approve up to £480 million to be appropriated from the Consolidated Fund for the Past Service Pension Liabilities Refinancing head of expenditure, subject to the availability of funding, which may include, in full or in part, use of the borrowing/financing referred in paragraph (b);

(h) to approve the estimated income, being estimated gross income less expenditure, that each States trading operation will pay into its trading fund in 2022 in line with Article 9(2)(h) of the Law and set out in Appendix 2 – Summary Table 7 to the Report;

(i) to approve the proposed amount to be appropriated from each States trading operation's trading fund for 2022 for each head of expenditure in line with Article 9(2)(i) of the Law and set out in Appendix 2 – Summary Table 8 to the Report;

(j) to approve the estimated income and expenditure proposals for the Climate Emergency Fund for 2022 as set out in Appendix 2 – Summary Table 9 to the Report;

(k) to approve an amendment to the policy of the Strategic Reserve Fund to enable that Fund to be used as a holding Fund for any or all monies related to the repayment of debt raised through external financing, with the monies used to offset the repayment of debt, as and when required;

(l) to agree that the Upper Earnings Limit, as defined within the Social Security (Jersey) Law 1974, should be removed, abolishing the upper earnings limit cap on Social Security Contributions and on Long Term Care Contributions, increasing the estimated closing balance of the relevant Funds by £7,000,000 and £8,500,000 respectively; and

(m) to approve, in accordance with Article 9(1) of the Law, the Government Plan 2022-2025, as set out at Appendix 3 to the Report.

REPORT

The upper earnings caps on Social Security Contributions and the Long-Term Care tax are regressive and unfair.

The result of the upper earnings caps means that those who earn the most, pay the lowest effective rates. No moral justification has ever been given for why those in Jersey most able to pay are given the privilege of lower effective rates than everyone else. If Islanders were taxed at equal rates (let alone progressive rates), substantial extra revenue would be raised to fund more generous support through the range of benefits Islanders who pay into these funds are entitled to.

In the Government Plan 2020-23, the States raised the upper earnings caps from £176,000 to £250,000, in order to fund family-friend benefits from the Social Security Fund and to secure the sustainability of the LTC Fund without necessitating a further rise in the basic rate of LTC too soon[1]. The government had considered proposing raising the cap to £500,000 but chose not to do so and did not provide an explanation as to why. However, this shows that the cap is not sacrosanct, and can be adjusted to meet the spending priorities of the States. As we hopefully look towards the end of the pandemic, our priority should be to create a fairer society for us all to enjoy.

In the Common Strategic Policy, the government committed to the key priority of "reducing income inequality and improving the standard of living". Very little appears to have been done to advance this aim. However, increasing the upper earnings caps in in the 2020-23 Government Plan was one tangible move taken which did improve equality in Jersey. By abolishing the cap entirely, Jersey's tax system will become fairer, and more revenue will be available to be directed at spending which will improve the standard of living for Islanders.

Two amendments were previously lodged to the 2020-23 Government Plan which would have seen these caps abolished. The second amendment to the ninth amendment[2] (for Social Security Contributions) and the twenty-first amendment[3] (for LTC tax) contain more detail in their reports on the distributional impact of these proposed changes.

Financial and manpower implications

The Treasury has provided estimates of £7m and £8.5m which could be raised by abolishing the caps on Social Security Contributions and the LTC respectively. There would also need to be legislative changes, as the caps are currently set out in law. Only those earning over £250,000 a year would be affected by these changes, and so the effect of this amendment would exclusively be felt by the highest earners in Jersey.

[1] www.statesassembly.gov.je/assemblypropositions/2019/p.71-2019.pdf Page 125
[2] www.statesassembly.gov.je/assemblypropositions/2019/p.71-2019amd(9)amd(2).pdf
[3] www.statesassembly.gov.je/assemblypropositions/2019/p.71-2019amd(21).pdf