

STATES OF JERSEY



Jersey

DRAFT SOCIAL SECURITY (AMENDMENT OF LAW – TEMPORARY REDUCTION OF CONTRIBUTION RATES) (JERSEY) REGULATIONS 202-

**Lodged au Greffe on 2nd August 2022
by the Minister for Social Security
Earliest date for debate: 13th September 2022**

STATES GREFFE

REPORT

Introduction

As part of the mini-budget (P.80/2022) to assist with the increase in the cost of living, the Council of Ministers is proposing a temporary 2% cut in Class 1 employee and Class 2 Social Security contributions from 1st October to 31st December this year.

This means for 3 months:

1. Reducing Social Security Class 1 employee contribution rate from 6% to 4% below the standard earnings limit (SEL) of £4,764 per month (equivalent to £57,168 per year).
2. Reducing the Class 2 contribution rate from 12.5% to 10.5% below the SEL.

On 1st January 2023, the Social Security contribution rates will return to their previous levels.

Impact on people

This temporary change to legislation will reduce the Social Security contributions of approximately 54,000 workers in October, November and December this year – increasing their disposable income and providing some support towards the higher cost of living.

The average reduction in contributions is approximately £57 per month or £171 for the quarter.

The actual reduction will vary from person to person. Four examples are provided in the next table.

Example	Earnings, £		Contribution reduction, £	
	Annual	Per month	Per month	Total for the quarter
1	20,000	1,667	33.33	100.00
2	40,000	3,333	66.67	200.00
3	60,000	5,000	95.28	285.84
4	80,000	6,667	95.28	285.84

The contributions in the first 2 examples are reduced by £33 and £67 per month – 2% of monthly earnings. The contributions in the last 2 examples are reduced by £95.28 per month - 2% of monthly earnings up to £4,764 per month (£57,168 per year). This means the effective reduction in contributions is less than 2% of total earnings, for workers earning more than £57,168 per year.

The Regulations include a small change which will ensure that households claiming income support will also benefit fully from the temporary reduction in contributions.

Note that workers in receipt of the Social Security pension do not pay Social Security contributions and will not be affected by this policy change. A small number of workers that earn less than the minimum earnings threshold (£101 per week) do not pay employee contributions, and will only be affected by this policy change if they pay Class 2 contributions instead.

Financial and manpower implications

The temporary reduction in Social Security contributions is estimated to reduce contribution income in the Social Security Fund by £9 million during 2022. There are no manpower implications.

Re-issue Note

This Projet is re-issued to correct errors in the figures given in the report.

EXPLANATORY NOTE

The Social Security (Amendment of Law – Temporary Reduction of Contribution Rates) (Jersey) Regulations 202-, if passed, would amend the Social Security (Jersey) Law 1974 (the “Law”) to temporarily reduce the Class 1 and Class 2 contribution rates.

The amendments are of temporary effect covering the period from 1st October 2022 up to and including 31st December 2022. During that period, the Class 1 and Class 2 contribution rates will be reduced by 2% below the standard monthly earnings limit provided under Schedules 1A and 1B respectively to the Law. The amendments also include a provision that will preserve current levels of income support despite the reduction in the Class 1 and Class 2 contribution rates.

These Regulations come into force 7 days after they are made.



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Made [date to be inserted]
Coming into force [date to be inserted]

THE STATES make these Regulations under Article 50 of the [Social Security \(Jersey\) Law 1974](#) –

1 Amendment of the [Social Security \(Jersey\) Law 1974](#)

These Regulations amend the [Social Security \(Jersey\) Law 1974](#).

2 Amendment of Schedule 1A (Class 1 minimum earnings threshold, factors and contribution rates)

- (1) This Regulation amends Schedule 1A.
- (2) After paragraph 3A (Class 1 – standard contribution) there is inserted –

“3B Temporary modification of Class 1 monthly contributions

- (1) Only for the period commencing on 1st October 2022 and ending at the end of 31st December 2022 –
 - (a) this paragraph applies instead of paragraph 3(1); and
 - (b) the reference in paragraph 3A(a) to paragraph 3(1)(b) is to be read as a reference to paragraph 3B(3)(b).
- (2) Despite sub-paragraph (1)(a), paragraph 3(1) continues to apply in relation to Class 1 contributions for the purposes of calculating a deduction from income under paragraph 4(1)(c)(i) of Schedule 2 to the [Income Support \(General Provisions\) \(Jersey\) Order 2008](#).
- (3) The amount of an employed person’s primary Class 1 contributions in respect of the monthly earnings of an employment is the aggregate of the following amounts –
 - (a) 0.8% of the person’s earnings that do not exceed the standard monthly earnings limit, which amount is allocated to the Health Insurance Fund; and

- (b) 3.2% of the person's earnings that do not exceed the standard monthly earnings limit.
- (4) This paragraph expires at the end of 31st December 2022.”.
- (3) After paragraph 4 (Class 1 – supplementation) there is inserted –

“4A Temporary modification of Class 1 supplementation

- (1) Only for the period commencing on 1st October 2022 and ending at the end of 31st December 2022 this paragraph applies instead of paragraph 4(3)(a).
- (2) Despite sub-paragraph (1)(a), paragraph 4(3)(a) continues to apply in relation to Class 1 contributions for the purposes of calculating a deduction from income under paragraph 4(1)(c)(i) of Schedule 2 to the [Income Support \(General Provisions\) \(Jersey\) Order 2008](#).
- (3) For the purposes of paragraph 4, the contribution threshold is the sum of –
 - (a) 3.2% of the lower monthly earnings limit; and
 - (b) 5.3% of the lower monthly earnings limit.
- (4) This paragraph expires at the end of 31st December 2022.”.

3 Amendment of Schedule 1B (Class 2 factors and contribution rates)

- (1) This Regulation amends Schedule 1B.
- (2) After paragraph 3 (Class 2 – monthly full rate contributions) there is inserted –

“3A Temporary modification of Class 2 monthly full rate contributions

- (1) Only for the period commencing on 1st October 2022 and ending at the end of 31st December 2022 –
 - (a) this paragraph applies instead of paragraph 3; and
 - (b) the references in paragraph 4A(1) to paragraphs 3(b) and 3(c) are to be read as references to paragraphs 3A(3)(b) and 3A(3)(c) respectively.
- (2) Despite sub-paragraph (1)(a), paragraph 3 continues to apply in relation to Class 2 contributions for the purposes of calculating a deduction from income under paragraph 4(1)(c)(i) of Schedule 2 to the [Income Support \(General Provisions\) \(Jersey\) Order 2008](#).
- (3) The amount of a person's full rate Class 2 contributions payable in any month is the aggregate of the following amounts –
 - (a) 2% of the standard monthly earnings limit, which amount is allocated to the Health Insurance Fund;
 - (b) 8.5% of the standard monthly earnings limit; and
 - (c) 2.5% of the amount that is the difference between the standard monthly earnings limit and the upper monthly earnings limit.

- (4) This paragraph expires at the end of 31st December 2022.”.
- (3) After paragraph 4 (Class 2 – monthly reduced rate contributions) there is inserted –

“4AA Temporary modification of Class 2 monthly reduced rate contributions

- (1) Only for the period commencing on 1st October 2022 and ending at the end of 31st December 2022 –
 - (a) this paragraph applies instead of paragraph 4;
 - (b) the reference in paragraph 4A(2) to paragraph 4(1)(b) is to be read as a reference to paragraph 4AA(3)(b);
 - (c) the reference in paragraph 4A(3)(a) to paragraph 4(1)(b) is to be read as a reference to paragraph 4AA(3)(b); and
 - (d) the reference in paragraph 4A(3)(b) to paragraph 4(1)(c) is to be read as a reference to paragraph 4AA(3)(c).
- (2) Despite sub-paragraph (1)(a), paragraph 4 continues to apply in relation to Class 2 contributions for the purposes of calculating a deduction from income under paragraph 4(1)(c)(i) of Schedule 2 to the [Income Support \(General Provisions\) \(Jersey\) Order 2008](#).
- (3) The amount of a person’s reduced rate Class 2 contributions payable in any month is the aggregate of the following amounts –
 - (a) 2% of the person’s earnings that do not exceed the standard monthly earnings limit, which amount is allocated to the Health Insurance Fund;
 - (b) 8.5% of the person’s earnings that do not exceed the standard monthly earnings limit; and
 - (c) 2.5% of the person’s earnings that exceed the standard monthly earnings limit but do not exceed the upper monthly earnings limit.
- (4) The references in sub-paragraph (3) to a person’s earnings shall be construed in accordance with the provisions of an Order made under Articles 1(5) and 8 by virtue of which the person is permitted to pay reduced rate Class 2 contributions for the period in which the month for which the contributions are payable falls.
- (5) this paragraph expires at the end of 31st December 2022.”.

4 Citation and commencement

These Regulations may be cited as the Social Security (Amendment of Law – Temporary Reduction of Contribution Rates) (Jersey) Regulations 202- and come into force 7 days after they are made.