WQ.429/2021

WRITTEN QUESTION TO THE MINISTER FOR TREASURY AND RESOURCES
BY SENATOR S.Y. MÉZEC
QUESTION SUBMITTED ON MONDAY 25TH OCTOBER 2021
ANSWER TO BE TABLED ON MONDAY 1ST NOVEMBER 2021

Question

Will the Minister advise what up-to-date estimates she has for the amount of revenue that would be raised through –

(a) the abolition of the Upper Earnings Limit (i.e. the cap) for Social Security Contributions; and
(b) the abolition of the cap on the Long-Term Care Contributions?

Answer

Officers have modelled the revenue impact on the basis of the latest available tax data. This is for the 2019 Assessment Year.

The 2019 upper earnings limit ("UEL") was £176,232: this limit was increased significantly for the 2020 Assessment Year. In order to give a better comparison for the effect of removing the UEL cap – since the change would in practice apply to a later assessment year - rather than use the 2019 UEL, the 2020 UEL cap of £249,600 has been discounted by 2019 RPI (2.5%) in order produce a discounted figure of £243,512. Officers have used this latter figure in their calculations.

A key assumption made is that there would be no change in employer or taxpayer behaviour as a result of the rate rise.

If the UEL for Social Security Contributions was abolished, it is estimated additional social security revenue would total £7 million.

If the cap on the Long-Term Care Contributions was abolished, it is estimated additional long-term care revenue would total £8.5 million.

Revenue raised in this way would be paid into the relevant fund and would not be available for general government spending. Unless equivalent changes were made to the grant to the social security fund or the long-term care fund there would be no benefit to the balance of general revenues and expenditure.