STATES OF JERSEY

PROPOSED GOVERNMENT PLAN 2024-2027 (P.72/2023): THIRD AMENDMENT

REMOVAL OF UPPER EARNINGS CAPS

Lodged au Greffe on 2nd November 2023
by Deputy S.Y. Mézec of St. Helier South

STATES GREFFE

PROPOSED GOVERNMENT PLAN 2024-2027 (P.72/2023): THIRD AMENDMENT

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1 PAGE 3, PARAGRAPH (l) –

After paragraph (k), insert the following 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 cap on Social Security Contributions and on Long Term Care Contributions and increasing the estimated closing balance of the relevant Funds by £9 million and £8.5 million respectively by the end of 2024; and

and redesignate the existing paragraph (l) as paragraph (m)."

DEPUTY S.Y. MÉZEC OF ST. HELIER SOUTH

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 2024 – 2027 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 2024 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 refer to their Act dated 30th September 2016 and to approve the application of existing resources for work on the development of 'user pays' charges in relation to all aspects of waste, including commercial and domestic liquid and solid waste;

(c) to approve the proposed Changes to Approval for financing/borrowing for 2024, as shown in Appendix 2 – Summary Table 2 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;

(d) to approve the extension of the use of the existing Revolving Credit Facility to include the provision of funds that would otherwise be implemented through bank overdraft or bank overdraft facilities under Article 26 (1)(a) of the Law, should they be needed, subject to the limits outlined in that article;

(e) to approve the transfers from one States fund to another for 2024 of up to and including the amounts set in Appendix 2 – Summary Table 3 in line with Article 9(2)(b) of the Law;

(f) to approve a transfer from the Consolidated Fund to the Stabilisation Fund in 2024 of up to £25 million, subject to a decision of the Minister for Treasury and Resources based on the availability of funds in the Consolidated Fund as at 31 December 2023 in excess of the estimates provided in this plan, or from budgeted underspends identified before 31 December 2024;

(g) to approve each major project that is to be started or continued in 2024 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;

(h) to approve the proposed amount to be appropriated from the Consolidated Fund for 2024, 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;

(i) to approve the estimated income, being estimated gross income less expenditure, that each States trading operation will pay into its trading fund in 2024 in line with Article 9(2)(h) of the Law and set out in Appendix 2 – Summary Table 6 to the Report;

(j) to approve the proposed amount to be appropriated from each States trading operation's trading fund for 2024 for each head of expenditure in line with Article 9(2)(i) of the Law and set out in Appendix 2 – Summary Table 7 to the Report;

(k) to approve the estimated income and expenditure proposals for the Climate Emergency Fund for 2024 as set out in Appendix 2 – Summary Table 8 to the Report;

(l) to agree that the upper earnings limit, as defined within the Social Security (Jersey) Law 1974, should be removed, abolishing the upper earnings cap on Social Security Contributions and on Long Term Care Contributions and increasing the estimated closing balance of the relevant Funds by £9 million and £8.5 million respectively by the end of 2024; and

(m) to approve, in accordance with Article 9(1) of the Law, the Government Plan 2024-2027, as set out at Appendix 3 to the Report.

REPORT

Summary

If adopted, this amendment would see the upper earnings limits for Social Security Contributions and the Long Term Care Tax abolished from the start of next year.

The Upper Earnings Limit currently stands at £276,864 a year. Above this amount, an earner pays no Long-Term Care Tax and an employer pays no Social Security Contributions.

If this cap is abolished, earners will pay the whole 1.5% rate of Long-Term Care Tax on their entire taxable income, and employers will pay the whole 2.5% rate of Social Security Contributions on their employees' salaries above the Standard Earnings Limit.

With this extra revenue raised, the Social Security Fund will receive an extra £9m, and the Long-Term Care Fund will receive an extra £8.5m a year.

No individual earning less than £276,864 or an employer who only employs people on lower salaries than that, will pay a penny extra as a result of this amendment.

Rationale

The arguments for abolishing the upper earnings limits for Social Security Contributions and the Long-Term Care Tax are well rehearsed.

The effect of the upper earnings limit means that these taxes are regressive. The higher your earnings, the lower your effective rate is. This is morally unjustifiable, and economically senseless, given the growing inequality Jersey has been suffering and the acknowledged difficulties in funding health and care services.

By ridding Jersey of this tax privilege for the highest earners, we will be a more equal society and will have more revenue directed into our Social Security and Long-Term Care Funds to support Islanders on the basis of need, not their ability to pay upfront.

This issue has been debated in the States Assembly multiple times. Most recently it came as an amendment to the Government Plan 2023.

During this debate, some members expressed their reluctance to vote for it on the basis that the actuarial reviews into these funds were taking place, and they wanted to see the outcome of this review before voting to abolish the cap, even though such a move was in line with their values. These reviews were published earlier this year and did not mention the cap at all.

Financial and staffing implications

The financial implications are as outlined in the wording of the amendment.

The caps on Social Security Contributions and the Long-Term Care Tax are defined in law, and so would require a minor change of legislation implement their abolition.