

STATES OF JERSEY



MINI-BUDGET 2022 (P.80/2022): SEVENTH AMENDMENT

Lodged au Greffe on 30th August 2022
by Deputy M.B. Andrews of St Helier North
Earliest date for debate: 13th September 2022

STATES GREFFE

MINI-BUDGET 2022 (P.80/2022) – SEVENTH AMENDMENT

1 PAGE 2, PARAGRAPH (b) –

For paragraph (b) substitute the following paragraph –

“(b) reducing the marginal rate of tax to 25% for the period from 1st October 2022 to 31st March 2023;”

DEPUTY M.B. ANDREWS OF ST. HELIER NORTH

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

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

to agree that the following actions should be taken to address cost of living concerns –

- (a) increasing the personal income tax thresholds and allowances by 12% above the 2022 thresholds and allowances, in accordance with the Table in Appendix 2 of the report accompanying the proposition, to take effect for the year of assessment 2023;
- (b) reducing the marginal rate of tax to 25% for the period from 1st October 2022 to 31st March 2023;
- (c) doubling the value of the Community Costs Bonus for 2022 by increasing the value of the bonus from £258.25 to £516.50.
- (d) setting a fixed value at £70 per month for the Cold Weather Bonus and Cold Weather Payments, regardless of temperature, for the winter months (October 2022 to March 2023 inclusive); and
- (e) postponing the commencement of the obligation for offshore retailers to register under the Goods and Services Tax (Jersey) Law 2007 from 1st January 2023 to 1st July 2023.”

REPORT

A States Grant is payable from the consolidated fund to the Social Security Fund (the “Fund”) to compensate for the shortfall of income into the Fund (the “States Grant”).

The States Grant was set to zero to ensure the Consolidated Fund retained 130.6 million for 2020 and 2021 to combat the Covid-19 pandemic.

During the Government Plan 2022-25 the States Assembly approved the States grant to the Fund be maintained at zero during 2022 and 2023 totalling £160 million.¹

It has been intended that the States Grant to the Fund will be re-introduced for 2024, with forecasts suggesting the States Grant will be £82.5 million (according to the Government Plan 2022-25).

Because the Fund has not received income via the States Grant from the Consolidated Fund, the Social Security Reserve Fund (the “Reserve Fund”) has been relied upon to top up the Fund. The Social Security Reserve provided a transfer of £55 million in 2020 to the Fund. And it is estimated 263 million will be transferred from the Reserve Fund to the Fund between 2021 and 2023.

Government Plan 2022-25 -Social Security Fund

Social Security Fund	Fund Value in Millions (Closing Balance)
2022	87,761
2023	86,362 (– 1.59 decrease)
2024	79,487 (– 7.96 decrease)
2025	77,841 (– 2.07 decrease)

Government Plan 2022-25 -Social Security Reserve Fund

Social Security Reserve Fund	Fund Value in Billions (Closing Balance)
2022	2,141,635
2023	2,172,249 (+1.42 increase)
2024	2,291,723 (+5.50 increase)
2025	2,420,060 (+5.60 increase)

Social Security Deductions

¹ Proposed Government Plan 2020-25 Lodged with Greffe 21 September 2021 [P.90-2021.pdf](https://www.gov.je/P.90-2021.pdf) ([gov.je](https://www.gov.je))

As set out in the Covid-19 (Social Security – Reduction of Contribution Rates) (Jersey) Regulations 2020,² the States Assembly approved social security deductions for 55,000 islanders who received a 2 percent social security deduction across nine months, as part of the fiscal stimulus which resulted in a £26 million loss of income to the Fund.

Deputy Morel raised concerns regarding the depletion of the Fund without there being a plan to reimburse the Fund later. This led to the ‘Social Security Fund: Repayment of States Contribution for 2020’ but the proposition was defeated.³

There seemed to be an emphasis placed on the Reserve Fund pertaining just under £2 billion around the time of the debate, as alluded to in the Social Security (Amendment of Law No. 12) (Jersey) Regulations 2020 ‘At the end of 2019, the Reserve Fund held just under £2 billion. This provides a significant reserve to support the future cost of pensions and benefits’.⁴

Fiscal Policy Panel

According to the Fiscal Policy Panel medium-term report (July 2022) the Fund will be exhausted sometime between 2067 and 2077 based on a net inward migration rate of 325 per annum.⁵

Market Rate Borrowing

If the Fund was forecast to increase in value, then the Fund could have potentially borrowed from the Reserve Fund, and then, paid back the borrowing at a market rate in the future.

Mini Budget 2022

Under the proposals in the Mini-budget ([P.80/2022](#)) the Fund is forecast to lose £9 million in income from October to December 2022 with 54,000 income earners receiving a 2 percent Social Security Contribution deduction.

In the Fiscal Policy Panel report it was never mentioned that if a net inward migration of 325 is not achieved, the Fund could be depleted sooner than anticipated. If the Fund becomes exhausted the Reserve Fund cannot pertain a reserve growth which can cover Social Security claimants, so this is disconcerting to see for future generations.

I feel we need to avoid measures that include the loss of income to the Fund to support income earners. Ideally, personal income tax deductions at the marginal rate of 25 percent for six months should be implemented instead to support income earners.

It is anticipated that the loss in revenue from personal taxation will be circa £14 million.

² Draft Covid-19 (Social Security – Reduction of Contribution Rates) (Jersey) Regulations 202- (P.96/2020) Amendment *Lodged with Greffe 24 August 2020* [Draft Covid-19 \(Social Security – Reduction of Contribution Rates\) \(Jersey\) Regulations 202- \(P.96/2020\) amendment \(gov.je\)](#)

³ Social Security Fund: Repayment of States Contribution for 2020 ([P.44/2020](#))

⁴ Social Security (Amendment of Law No. 12) (Jersey) Regulation, *effective from 3rd April 2020* [Social Security \(Amendment of Law No. 12\) \(Jersey\) Regulations 2020 \(jerseylaw.je\)](#)

⁵ Jersey’s Fiscal Policy Panel Medium Term Report *July 2022* [ID FPP Medium-term Report 15 July 2022.pdf \(gov.je\)](#)

Financial and manpower implications

If adopted this amendment will mean that the forecasted £9 million reduction in Social Security Contributions for 2022 will no longer take place. Treasury has indicated an estimated reduction in revenue from Personal Taxation of circa £14 million.

In addition, the associated system costs, estimated to be c.£15,000, in implementing a reduction in Social Security contributions will be removed. The associated administrative cost of implementing a reduction in the marginal rate has not been established.