

STATES OF JERSEY



DRAFT SOCIAL SECURITY (AMENDMENT No. 20) (JERSEY) LAW 201- (P.64/2011): AMENDMENT

**Lodged au Greffe on 6th May 2011
by Senator F. du H. Le Gresley**

STATES GREFFE

DRAFT SOCIAL SECURITY (AMENDMENT No. 20) (JERSEY) LAW 201-
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PAGE 18, ARTICLE 5 –

In Article 26G (as to be inserted) –

- (a) in paragraph (2), delete the word “not”;
- (b) delete paragraph (3);
- (c) renumber paragraph (4) as paragraph (3).

SENATOR F. DU H. LE GRESLEY

REPORT

It is the States of Jersey's responsibility to ensure that all income tax due is correctly and promptly paid by Jersey residents. If we approve legislation that effectively absolves the Social Security Department of this responsibility, we should express no surprise when we find out at a later date that individuals have left the Island without paying their dues.

In the U.K. the Redundancy Payment Office will deduct from arrears of pay and holiday pay an amount of income tax "at the basic rate in force at the time payment is made". I am not proposing that the Social Security Department deduct income tax at the basic rate as it should be relatively simple to find out the IT IS rate for each employee.

An insolvency practitioner is obliged to deduct social security contributions and income tax, where appropriate, before making payments to employees who have been made redundant as a result of a company ceasing to trade, and is also obliged to ensure that the money so deducted is remitted to the relevant government departments.

It is quite possible that potentially significant amounts of income tax revenue could be lost should a major employer become insolvent and unable to pay its creditors and employees. With the maximum amount of insolvency benefit being capped at £10,000, and with taxable unpaid wages being given priority, it is quite possible that thousands of pounds of tax could be lost should individuals, who cannot secure new employment, decide to leave Jersey without settling their tax liabilities.

There is also a social responsibility on government to help people pay their taxes as they fall due, particularly now that we have IT IS, and I fear that many recipients of this new insolvency benefit will find it difficult to set aside a proportion of the payment to pay their future tax bills, given the pressures their finances will be under if their unemployment becomes protracted, if we do not legislate that income tax is deducted at source.

I expect the Minister for Social Security to argue that his Department do not deduct income tax from any other taxable benefits paid out of the Social Security Fund, but the potential individual amounts of insolvency benefits are much higher than any other benefits currently paid in a single instalment, and therefore I believe that the appropriate amount of tax should be deducted in accordance with the IT IS rates of the individual recipients.

Financial and manpower implications

States revenues will increase and the chance of tax evasion will be eliminated. There will be additional work for officers at the Social Security Department in calculating the tax deductions to be made, but this will be compensated by the time saved at the Tax Department chasing for unpaid tax.