STATES OF JERSEY

GOVERNMENT PLAN 2020–2023 (P.71/2019): TWENTY-FIRST AMENDMENT (P.71/2019 Amd.(21)) – COMMENTS

Presented to the States on 22nd November 2019
by the Council of Ministers

STATES GREFFE

COMMENTS

Senator S.Y. Mézec proposes the following in P.71/2019 Amd.(21) –

PAGE 3, PARAGRAPH (h)(ii) –

After the words "from the Funds" insert the words ", except that the proposed increase in the Long-Term Care ('LTC') Charge shall not be implemented and the cap on LTC contributions shall be abolished, so it is applied at 1% across the board for all taxpayers, reducing the estimated closing balance on the Long-Term Care Fund in 2020, as shown in Summary Table 8(iii), by £19.7 million".

The Council of Ministers rejects this proposal and asks the Assembly to reject this amendment.

The Council of Ministers considers that it is important to plan ahead and create a Long-Term Care ("LTC") Fund that is sustainable for future generations. Limiting the increase in the LTC contribution to contributors with incomes above £250,000 fails to do this. The proposer acknowledges that under his amendment, the contribution rate will still need to be increased within 6 years.

Members should also consider the following:

Increased risk to the LTC Fund: States Members may not be aware, but the Fund currently only holds 6 months of reserves. The amount of money raised could vary from year to year, because incomes at these high levels fluctuate from year to year. The Fund needs a stable source of income to support people with long-term costs, particularly as these will increase as the population ages. The additional income depends on a small number of very high-earners and high-net-worth residents, and assumes that there will be no change in their financial arrangements after the increase.

Unfair between generations: The additional income will only maintain the Fund for a few years. Delaying the inevitable increase in contributions adds extra pressure to younger generations who will bear these costs. It also reduces the pressure on the current generation of older residents who have gained the most from the introduction of the scheme.

Timing: The economy is doing well – businesses are growing, employment is high, unemployment is low – now is the right time to increase the main LTC rate. This is in line with Fiscal Policy Panel recommendations. Limiting the increase to the removal of the cap runs the risk of being forced to make a rate increase during an economic downturn.