

STATES OF JERSEY



GOVERNMENT PLAN 2020–2023 (P.71/2019): NINTH AMENDMENT (P.71/2019 Amd.(9)) – SECOND AMENDMENT (P.71/2019 Amd.(9)Amd.(2)) – COMMENTS

**Presented to the States on 21st November 2019
by the Council of Ministers**

STATES GREFFE

COMMENTS

Deputy G.P. Southern of St. Helier proposes the following in his amendment [P.71/2019 Amd.\(9\)Amd.\(2\)](#) –

1 PAGE 2, PARAGRAPH 1 –

For the words “increased from the proposed £250,000 to £500,000” substitute the word “abolished”; and for the words “between the Standard Earnings Limit and the Upper Earnings Limit” substitute the words “above the Standard Earnings Limit”.

2 PAGE 2, PARAGRAPH 1 –

For “4%” substitute “6.5%”.

The Council of Ministers opposes this proposal and urges States Members to reject the amendment.

This amendment significantly increases the contribution income into the Social Security Fund by removing the upper earnings limit and increasing the contribution rate above the Standard Earnings Limit.

Additional contributions

The [Government Plan 2020-2023](#) proposes an increase of £3.3 million in contributions levied on the employers of higher-earning staff and Class 2 individuals (self-employed and others). The amendment increases the extra yield to £27.3 million as follows –

	Government Plan	Second amendment to ninth amendment
Contribution Rate above Standard Earnings Limit	Increase from 2% to 2.5%	Increase from 2% to 6.5%
Annual Upper Earnings limit	Increase from £176,000 to £250,000	Remove limit
Total extra contributions	£3.3 million	£27.3 million

Comments

The Council of Ministers rejects the amendment for the following reasons –

- **Impact on businesses:** This would significantly add to the cost of doing business. Businesses that employ people who mainly earn over £50,000 a year and self-employed people above this income level would be affected. The most affected businesses could limit their activity or even leave Jersey. We would not only lose Social Security contributions, but also the Income Tax and GST that they pay.

- **Unallocated Government income:** This amendment raises over £27 million of additional contributions from local businesses and residents in 2020, with £12 million allocated to increased parental benefits, and an additional £15 million which has not been allocated to any 2020 expenditure.
- **Change in behaviour:** Increased risk that significantly higher contribution rates will change behaviour at higher earnings/income levels and not raise the expected extra revenue.