

STATES OF JERSEY



Jersey

DRAFT SOCIAL SECURITY (AMENDMENT OF LAW No. 11) (JERSEY) REGULATIONS 201-

Lodged au Greffe on 14th October 2019
by the Minister for Social Security

STATES GREFFE

REPORT

Summary of Social Security changes in the Government Plan

The first Government Plan ([P.71/2019](#)) encompasses the full range of Government activities for 2020, combining revenue-raising, expenditure and policy proposals. It includes proposals to make changes to ring-fenced funds under the control of the Minister for Social Security.

The Draft Social Security (Amendment of Law No. 11) (Jersey) Regulations 201- (the “draft Regulations”) give effect to the revenue-raising proposals set out in the Government Plan in respect of the Social Security Fund and the Long-Term Care Fund. They also set the level of the States’ Grant into the Social Security Fund in future years.

To assist States Members in further understanding the nature of the draft Regulations, a brief explanation of each is given below.

Changes to the [Social Security \(Jersey\) Law 1974](#)

Regulation 1 – Identifies the underlying legislation.

Regulation 2 – Re-establishes the formula to set the level of the States’ Grant into the Social Security Fund for 2023 and future years. The formula now takes account of the annual Government Plan process. It also takes account of the additional contribution income that is proposed to support the cost of parental benefits. For 2020 and 2021 the value of the Grant is set at its current value of £65.3 million; and for 2022 the value of the Grant is set at the intermediate value of £76.14 million.

Regulation 3 – Raises the Upper Earnings Limit for Class 1 contributions to £20,800 per month, equal to £250,000 a year from 2020. Raises the percentage rate levied on Class 1 employers on earnings between the Standard Earnings Limit and the Upper Earnings Limit from 2% to 2.5%. Note that the Class 1 Upper Earnings Limit is also used to set the Upper Income Limit for Long-Term Care contributions.

Regulation 4 – Raises the Upper Earnings Limit for Class 2 contributions to £20,800 per month, equal to £250,000 a year from 2020. Raises the percentage rate levied on Class 2 individuals on earnings between the Standard Earnings Limit and the Upper Earnings Limit from 2% to 2.5%.

Regulation 5 – Raises the contribution percentage rate for Long-Term Care contributions to 2% from 1st January 2020.

Regulation 6 – Technical amendments to maintain alignment with the Income Tax Law and to remove the late payment surcharge, which is adequately provided for in the Income Tax Law.

Regulation 7 – Changes come into force on 1st January 2020.

Financial and manpower implications

The staged reinstatement of the States’ Grant over the years 2020, 2021 and 2022 – rather than immediately reinstating it at its full value – releases a total of £50 million by 2023, while still ensuring the long-term sustainability of the Fund.

The increases in Social Security contributions, which will be used to provide contributory parental benefits, will raise about £3.35 million a year from 1st January 2020.

The Long-Term Care Fund sustainability proposals increase the income into the Long-Term Care Fund by approximately £22 million a year from 1st January 2020.

EXPLANATORY NOTE

The Draft Social Security (Amendment of Law No. 11) (Jersey) Regulations 201-, if passed, will amend the Social Security (Jersey) Law 1974 (“the Law”) so as to increase the upper income and upper earnings limit for the purposes of social security and long-term care contributions respectively, and also increase those contributions.

In particular, the amendments to the Law by –

Regulation 2 will set an amount to be paid into the States grant for the years 2020–2022, and will amend the formula by which the contribution to the States grant will be set from 2023 onwards, in order to conform with the Government plan;

Regulations 3 and 4 will, from 2021, increase the monthly upper earnings limit for Class 1 and Class 2 contributors from £12,500 to £20,800; and increase from 2% to 2.5% the contributions rate for Class 1 secondary contributions from employers, and the Class 2 contribution rates;

Regulation 5 will, from 2020, increase the contribution rate for long-term care from 1% to 2%;

Regulation 6 will, from 2020, make an amendment to the method by which a person’s long-term care contribution for a year is estimated, reduce to zero the late payment surcharge on long-term care contributions and make a minor amendment updating a reference to the Income Tax Law.

Regulation 7 provides for the title by which these Regulations may be cited and for them to come into force on 1st January 2020.



Jersey

DRAFT SOCIAL SECURITY (AMENDMENT OF LAW No. 11) (JERSEY) REGULATIONS 201-

Made [date to be inserted]

Coming into force [date to be inserted]

THE STATES make these Regulations under Article 50 of the Social Security (Jersey) Law 1974¹ –

1 Amendment of Social Security (Jersey) Law 1974

The Social Security (Jersey) Law 1974² is amended in accordance with Regulations 2 to 6 and a reference to an Article, paragraph or Schedule by number only and without further identification is a reference to the Article, paragraph or Schedule of that number in that Law.

2 Article 9A (contributions by States to supplementation) amended

- (1) In Article 9A(1) for “2013” there is substituted “2019”.
- (2) In Article 9A(2) for “ $(A - B) \times (1 + C)^2$ ” there is substituted “ $(A - 0.8B) \times (1 + C)^2$ ”.
- (3) In Article 9A(3) for “B” there is substituted “0.8B”.
- (4) For Article 9A(4) there is substituted –
 - “ (4) Despite paragraphs (2) and (3) –
 - (a) the annual amount to be paid for each of the years 2019, 2020 and 2021 is £65,300,000; and
 - (b) the annual amount to be paid for the year 2022 is £76,140,000.”.

3 Schedule 1A (class 1 factors and contribution rates) amended

In Schedule 1A –

- (a) in paragraph 2(1)(c) for “£12,500” there is substituted “£20,800”;
- (b) in paragraph 2(3) for “2013” there is substituted “2021”;
- (c) in paragraph 3(2)(c) for “2%” there is substituted “2.5%”.

4 Schedule 1B (class 2 factors and contribution rates) amended

In Schedule 1B –

- (a) in paragraph 2(1)(c) for “£12,500” there is substituted “£20,800”;
- (b) in paragraph 2(3) for “2013” there is substituted “2021”;
- (c) in paragraph 3(c) for “2%” there is substituted “2.5%”;
- (d) in paragraph 4(1)(c) for “2%” there is substituted “2.5%”.

5 Schedule 1C (long-term care factors and contribution rates) amended

In Schedule 1C, for paragraph 3(6), there is substituted –

- “(6) In this paragraph, the LTC percentage is –
 - (a) for 2019, 1%;
 - (b) for 2020 and ensuing years, 2%.”.

6 Schedule 1D (collection of LTC contributions) amended

In Schedule 1D –

- (a) for paragraph 2A(2)(a) there is substituted –
 - “(a) the upper annual income limit were references to that limit for the payment year; and”;
- (b) in paragraph 4(5) –
 - (i) for “Article 41C(8) of the 1961 Law”, there is substituted “Article 41C(9A) of the 1961 Law which has been agreed by the Comptroller under Article 41C(9B) of that Law”,
 - (ii) for “Article 41C(8)(b) of the 1961 Law”, there is substituted “Article 41C(9A) of the 1961 Law and agreed by the Comptroller under Article 41C(9B) of that Law”;
- (c) in paragraph 4A(2) for “10%”, there is substituted “0%”.

7 Citation and commencement

These Regulations may be cited as the Social Security (Amendment of Law No. 11) (Jersey) Regulations 201- and come into force on 1st January 2020.

ENDNOTES

Table of Endnote References

<i>1</i>	<i>chapter 26.900</i>
<i>2</i>	<i>chapter 26.900</i>