

STATES OF JERSEY



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

Lodged au Greffe on 13th September 2022
by Deputy G.P. Southern of St. Helier Central
Earliest date for debate: 20th September 2022

STATES GREFFE

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

PAGE 2, PARAGRAPH (b) –

For paragraph (b) substitute the following paragraph –

“(b) reducing Class 1 Social Security contributions temporarily by £57 per month for the period 1st October 2022 to 31st December 2022, and reducing from 12.5% to 10% the Class 2 contribution rate during the same period;”

DEPUTY G.P. SOUTHERN OF ST. HELIER CENTRAL

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 Class 1 Social Security contributions temporarily by £57 per month for the period 1st October 2022 to 31st December 2022, and reducing from 12.5% to 10% the Class 2 contribution rate during the same period.
- (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

We have often been told by Treasury ministers that fiscal measures should be “Timely, Temporary and Targeted.” But some of the measures put forward by the Council of Ministers fail to be properly targeted. The major problem is that the Ministers seem obsessed by percentage changes. This means that there is a built-in bias to those on higher incomes and away from those who are poorer. For example, a 10% change in tax or contributions has a much larger impact on a householder earning £600 per week than it does on a person earning £200.

The Treasury and Resources Minister frequently stated in the Public Hearing on the 30th August 2022 that “*the lowest income families should receive the greatest benefit.*”

Table 3¹

	Earnings	Earnings	Contribution Reduction	Contribution Reduction
Example	Annual	Per Month	Per Month	Total for Quarter
1	£20,000	£1,677	£33.33	£100.00
2	£40,000	£3,333	£66.67	£200.00
3	£60,000	£5,000	£92.20	£276.60
4	£80,000	£6,667	£92.20	£276.60

P.80/2022, the Mini-Budget, clearly demonstrates how the Ministers have missed their target to get the most help to the lowest income families. The two lowest income families with annual earnings of £20,000 and £40,000 respectively, both get a contribution reduction of 2%.

What does this mean? The lowest paid, therefore the most vulnerable, and obviously the people with the greatest need for protection, has an extra £33 per month to “put in his pocket” as the ministers will put it, to spend how he sees fit.

His neighbour, who earns more, has twice that sum (£66) to put towards his/her fuel bill.

To put these figures into reality, the worker earning £20,000 which is effectively just a fraction over the minimum wage, is clearly a household in the greatest need during the cost-of-living crisis.

The worker with earnings of around £40,000, is far from being a high earner. This household sits just above the median wage (c. £36,000). Just over 50% of workers in Jersey earn less than this median average after housing costs. According to the data in P.80/2022 some 27,000 (approx.) will fall into this group. However, these workers will receive £66 per month to assist them with additional food or heating bills, when those earning much more, in examples 3 and 4, will get £92 per month in reduced contributions.

¹ <https://statesassembly.gov.je/assemblypropositions/2022/p.80-2022>

This clearly runs in the opposite direction to the expressed intention of the Ministers, who repeatedly state that they wish to target the lowest incomes in their Mini-Budget. Worst of all, those earning up to £80,000 do not even pay the same 2% as the lower earners do. This is because of the cap on contributions the higher earners shown pay around 1.4% or less. I cannot believe that the Social Security Minister is content with a scheme that distributes much needed protection against rampant inflation with such a disregard for what is fair.

We are told that the cost of reducing the Social Security contributions from 6% to 4% is of the order of £9m of revenues foregone. Fortunately, we are also told that the average figures for these reductions in contributions are £57 per month or £171 per quarter. So, for the same loss in contributions (£9m) we can put an across the board £171 per quarter in the pockets of the lowest earners. This amendment is designed to reduce the unfairness of having reductions in percentage terms and replace them with fixed sums.

The below table demonstrates the effect of this amendment and the greater benefit accruing to those most in need:

	Earnings	Earnings	6% contributions on SEL [Current payment]	6% less £57 (to pay) [Amendment]	4% contributions on SEL (to pay) [Mini-Budget]
Example	Annual	Per Month	Per Month	Per Month	Per Month
1	£20,000	£1677	£100.62	£43.62	£67.08
2	£40,000	£3,333	£199.98	£142.98	£133.32
3	£60,000	£5,000	£276.60	£219.60	£184.40
4	£80,000	£6,667	£276.60	£219.60	£184.40

Financial and manpower implications

This amendment has no additional cost to the States.