

# STATES OF JERSEY



## MINI-BUDGET 2022

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**Lodged au Greffe on 2nd August 2022  
by the Council of Ministers  
Earliest date for debate: 13th September 2022**

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**STATES GREFFE**

## **PROPOSITION**

### **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) temporarily reducing by 2 percentage points Class 1 and 2 social security contributions for the period 1st October 2022 to 31st December 2022, comprising a reduction, in respect of earnings below the standard earnings limit (SEL), from 6% to 4% for the Class 1 employee contribution rate, and from 12.5% to 10.5% for the Class 2 contribution rate;
- (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.”

### **COUNCIL OF MINISTERS**

## REPORT

1. The Council of Ministers is committed to addressing the cost of living crisis as a priority, helping Islanders with recent increases in food, heating and housing costs, and ahead of predicted increases in those prices this winter.
2. A package of measures – a cost of living ‘mini-budget’ – has been developed at pace putting over £56 million into the pockets of Islanders. It can be split into three key components:
  - Increases above inflation to personal income tax allowances from January 2023;
  - in the meantime reducing social security contributions from 1 October to 31 December 2022; and
  - significant increases to the value of certain social security benefits and extending their reach.
3. These fiscal measures will be supported by wider communications activities, ongoing work and other measures, detailed later in this Report.
4. The focus of this package is squarely on targeted support that will keep more money in the pockets of Islanders as costs rise. This policy approach is supported by research conducted by the Organisation for Economic Cooperation and Development (OECD), which recommends that jurisdictions that can roll out targeted measures that support income should focus on those measures rather than general measures that support prices. Leaving money in the pocket of Islanders enables them to choose where to prioritise spending rather than Government restricting the usage.
5. The support package is targeted at those on lower incomes but also addresses the cost of living squeeze which is also hitting middle Jersey. This follows the advice of Jersey’s Fiscal Policy Panel (FPP), which recently stated that it is not the time for “significant across the board additional spending or tax cuts which would cause further inflationary pressures.”<sup>1</sup> Crucially the mini budget does not propose any measures that are contrary to the [Carbon Neutral Roadmap](#).
6. Where an immediate change in legislation is required to implement the proposal, the States Assembly will be asked to vote on the proposal in the main Proposition. Separate draft legislation has been lodged by the Minister for Treasury and Resources and the Minister for Social Security to implement those legal changes. In respect of the proposals relating to Income Support, the Minister for Social Security will lodge Regulations in September 2022 to set the components.

### **Increasing the income tax allowances by 12%**

7. In these exceptional times the Council of Ministers is proposing significantly above-inflation increases in the personal income tax allowances, which will reduce the tax bills of Islanders,<sup>2</sup> other than those on the very highest incomes.

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<sup>1</sup> Jersey’s Fiscal Policy Panel Medium Term Report – July 2022

<sup>2</sup> Over 90% of taxpayers in Jersey pay tax at the marginal rate, meaning they can take advantage of the thresholds and allowances (rather than paying tax at 20% with no allowances).

8. Table 1 shows the impact of these increases on the two main allowances, available to individuals and to married couples and civil partners, and the impact on annual tax bills. It should be noted that the proposed 2023 allowances have been rounded up to the nearest £50 and, as such, the increase may be above 12% relative to 2022 in some instances.

*Table 1*

	<b>2022 allowance</b>	<b>Proposed for 2023 (12% increase)</b>	<b>Reduction in annual tax bill</b>
Single	£16,550	£18,550	£520
Married / civil partners	£26,550	£29,750	£832

9. The Council of Ministers is also proposing above-inflation increases in the other personal tax allowances, which includes the second earners' allowance, the child allowances, and the relief available for childcare costs.
10. Table 2 shows the increases and their effect on an annual tax bill.

*Table 2*

	<b>2022 allowance</b>	<b>Proposed for 2023 (12% increase)</b>	<b>Reduction in annual tax bill</b>
Second earner	£6,550	£7,350	£208
Child allowance (per child)	£3,060	£3,450	£101
Additional allowance, for example for single parents	£4,590	£5,150	£146
Childcare relief	£6,273	£7,050	£202
Enhanced childcare relief*	£16,320	£18,300	£515

\*Enhanced childcare is available in respect of pre-school age children

11. The impact of these increases on sample Jersey households is illustrated in the Appendix.
12. These income tax proposals will be given effect through the Draft Finance (Budget – Cost of Living) (Jersey) Law 202- which has been lodged by the Minister for Treasury and Resources. The States Assembly will be asked to give this legislation immediate effect by “Acte Opératoire” so that Revenue Jersey can take the changes into account when issuing ITIS effective rate notices under the Income Tax Instalment Scheme (ITIS) later this year. This will ensure that the benefit of increased tax allowances is available for employed people (as increases in take-

home pay) from January 2023. Taxpayers who are not employees and not in ITIS will be encouraged to file their 2022 tax returns as early as possible in order to gain similar benefit.

*Financial implications of increasing the income tax allowances*

13. The cost of increasing the allowances as proposed is estimated to be £34.1 million, which is £22.3 million above the current forecasted amount for 2023. In addition, there will be associated system costs of around £5,000.

**Reducing social security contributions**

14. The Council of Ministers is proposing a temporary 2% cut in Class 1 employee and Class 2 social security contributions from 1 October to 31 December this year to provide immediate relief before income tax changes can take effect. This means for three months:
  - reducing the social security Class 1 employee contribution rate from 6% to 4% below the standard earnings limit (SEL) of £4,610 per month (equivalent to £55,320 per year); and
  - reducing the Class 2 contribution rate from 12.5% to 10.5% below the SEL.
15. On 1 January 2023, the social security contribution rates will return to their previous levels as income tax changes take effect.
16. This temporary change to legislation will reduce the social security contributions of approximately 54,000 workers in October, November and December this year – increasing their disposable income and providing support towards the higher cost of living.
17. The average reduction in contributions is approximately £57 per month or £171 for the quarter. The actual reduction will vary from person to person. Four examples are provided in Table 3.

*Table 3*

Example	Earnings		Contribution reduction	
	Annual	Per month	Per month	Total for quarter
1	£20,000	£1,667	£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

18. The contributions in the first two examples are reduced by £33 and £67 per month - 2% of monthly earnings. The contributions in the last two examples are reduced by £92 per month - 2% of monthly earnings up to £4,610 per month (£55,320 per

year). This means the effective reduction in contributions is less than 2% of total earnings, for workers earning more than £55,320 per year.

19. Note that workers in receipt of the social security pension do not pay social security contributions and will not be affected by this policy change. A small number of workers who earn less than the minimum earnings threshold (£101 per week) do not pay employee contributions, and will only be affected by this policy change if they pay Class 2 contributions instead.
20. The Minister for Social Security has lodged Regulations to make this change.
21. The draft Regulations include a small change which will ensure that households claiming income support will also benefit fully from the temporary reduction in contributions.

#### *Financial implications of reducing social security contributions*

22. This measure is estimated to reduce contribution income to the Social Security Fund by £9 million in 2022. In addition, there will be associated system costs estimated to be c.£15,000.

#### **Increasing social security benefits**

23. A range of benefit measures is included in the overall mini budget. These are targeted at pensioners and at lower income families who may have more difficulty in adjusting to rising prices. The first element of the package will be provided immediately in early August 2022 and the measures will run through into 2023 with an additional income support uprate at the beginning of next year.

#### **Increasing the Jersey old age pension**

24. The Jersey old age pension is automatically uprated from the beginning of October each year. The uprating formula ensures that in a year in which prices are rising faster than wages, the pension increase will be based on the increase in RPI as calculated for pensioners. The June RPI (pensioner) figure is 7.7% and it is likely that pensions will rise by 7.7% from October.
25. A full single Jersey pension is worth £235.27 per week. A 7.7% rise provides an additional £18.13 per week – just under £1,000 a year. For a married couple based on the husband's record, the increase is £30.10 a week - an additional £1565 a year. The timing of this increase aligns with the reduction in social security contributions for working age people.

#### **Doubling the COLTS payments**

26. The Cost of Living Temporary Scheme (COLTS) was launched in April 2022 by the previous Minister for Social Security as an initial response to the rapid rise in the cost of living. Approximately 11,000 individuals receive an additional payment of £20 a month on top of their normal benefits.
27. As part of the response to the cost of living crisis from August 2022 this payment will be doubled to £40 per month until the end of the year. Payments are received

by income support households and by households who have recently claimed a cold weather bonus or a community costs bonus or are covered by the pension plus scheme.

28. Payments are made automatically, and the August payment will be sent out in the first week of August. For a couple with two children, a COLTS payment of £160 will be received in each month from August to December 2022.

*Financial implications of additional COLTS payments*

29. The total cost of the additional COLTS payments is £1.1 million and will be met from the budget already available in the Government plan.

**Increasing and encouraging uptake of the Community Costs Bonus**

30. In 2020, the Community Costs Bonus Regulations replaced the previous Food Costs Bonus Regulations. The bonus originally offered compensation for the cost of GST levied on food among certain household groups. The bonus is a household benefit and is available to those households that:

- do not receive income support;
- are not liable to pay income tax; and
- include at least one member who has been ordinarily resident in Jersey for at least 5 years.

Approximately 1,000 Islanders currently claim the bonus on application each year.

31. The Social Security Minister proposes to double the value of the Bonus for 2022, this will provide extra support to Islanders eligible to claim this benefit. If the Regulations are adopted by the Assembly, the value of the Bonus for 2022 will increase from £258.25 to £516.50.
32. The proposals also allow for a significant increase in the uptake of the Bonus. It is estimated that up to 7,000 households may be eligible for the Bonus. A communications campaign will highlight the Bonus and encourage applications from these households over the autumn.
33. The Bonus is supported by triennial regulations which expire at the end of 2022. Work will be undertaken in the coming months to review the overall scheme and put forward plans for the Bonus in 2023 and future years.
34. The Minister for Social Security has lodged Regulations to make this change.

*Financial implications of increasing and encouraging uptake of the Community Costs Bonus*

35. Providing an increased amount of £516.50 per household would result in an additional cost of approximately £0.5 million if claimed by the approximately 1,000 households that usually receive the benefit.
36. In addition, the plan to increase awareness and uptake of the benefit itself could lead to significant additional claims this year. A budget of £3.6 million has been

allocated to meet the cost of administering and paying the additional bonuses and to support the associated communications campaign. These costs will be drawn from existing allocated tax-funded departmental budgets.

### **Increasing Income Support components**

37. Last year the States Assembly approved [P.46/2021](#) which provided for an increase in income support components in both October 2021 and October 2022. The 2022 uprate was agreed early as the timing of the general election did not allow for the normal uprating process to take place in spring 2022. Components will already increase by 2.6% from October 2022 in line with the FPP forecast available at the time of the debate in 2021.
38. The Council of Ministers is proposing an additional uprate for income support to take effect from 1 January 2023. This will allow income support components to reflect the recent increases in the cost of living. Regulations to set the components will be lodged in September 2022 with an amendment covering any necessary adjustment following the publication of the September RPI figures towards the end of October.
39. The Proposition to be lodged in September will also consider the support provided to private sector tenants through the Income Support system. A debate in early November 2022 will confirm the rates to be used from 1 January 2023. Income support claimants will receive COLTS payments until the end of the year.

*Financial implications of providing an additional Income Support uprate in January 2023*

40. Additional estimated funding of £6.4 million will be incorporated into the proposed Government Plan 2023-26 to support the additional January uprate. This could increase further once the September RPI figures are known.

### **Increasing the Cold Weather Bonus**

41. The Cold Weather Bonus and Cold Weather Payments are benefits which provide extra financial support for heating costs to eligible Islanders during the winter months.
42. The Cold Weather Bonus provides assistance to lower income pensioner households not claiming Income Support. The Cold Weather Payments provide similar assistance to some Income Support households. One payment is made per household.
43. The average monthly payment value for 2021/22 was £29.39, with payments triggered in 6 months, ranging from a minimum of £15.67 to a maximum of £56.83.
44. The Council of Ministers is proposing to set both these benefits at a fixed payment value for this winter (October 2022 to March 2023) – regardless of temperature – for this winter period the value will be set at £70 per month.
45. The Minister for Social Security has lodged Regulations to make changes to two pieces of legislation – the Social Security (Bonus) (Jersey) Law 2014 and the



Income Support (Special Payments) (Cold Weather Payments) (Jersey) Regulations 2008.

*Financial implications of increasing the Cold Weather Bonus*

46. Setting a fixed monthly value of £70 requires an additional £0.4 million in 2022 which will be drawn from existing allocated tax-funded departmental budgets.
47. Additional funding of £0.4 million will be incorporated into the proposed Government Plan 2023-26 to support the additional cost for January to March 2023.

**Providing support for families with less than 5 years' residence**

48. Means-tested benefits in Jersey are only available to people who have lived here for at least five years. The Council of Ministers is proposing funding to provide additional support to families who have lived here for less than five years. The details of the scheme will be developed in the next two months and will have a focus on providing payments in January 2023 to parents looking after children on the Island.

*Financial implications of providing support for families with less than 5 years' residence*

49. Estimated funding of £0.4 million will be allocated in the proposed Government Plan 2023-26 to support this scheme.

**Accelerate plans to extend free sanitary products to all who require them**

50. Free period products will be available in Jersey schools and colleges from September 2022. The previous States Assembly approved a proposition ([P.66/2022](#)) to remove GST from period products. The Council of Ministers is proposing a new, wider scheme to replace P.66/2022 and to provide free period products as needed.
51. A similar scheme is in operation in Scotland. Scottish local authorities now provide products to anyone who needs them, ensuring that they respect dignity, offer a reasonable choice and that products are easy to obtain. Generally, products are being made available in 'community' buildings (libraries, sports facilities, town halls, museums, health centres, etc.) and through work with community partners to provide to more vulnerable groups.

*Financial implications of accelerating plans to extend free sanitary products*

52. The estimated product and administration costs for a full year are £0.35 million for 2023 and on a recurring basis. Initial set up costs (covering policy and project management) are estimated to be £0.1 million in 2022 and £0.15 million in 2023.

**Convene and communicate measures**

53. The Council of Ministers is also working on other areas to help Islanders with the cost of living crisis.

*Consider increasing the minimum wage*

54. The previous Minister for Social Security instructed the Employment Forum to undertake a review of minimum wage rates for implementation in January 2023 and the Forum has started its investigations.
55. The current Minister for Social Security has instructed the Forum to extend its ongoing consultation to gather views and evidence in respect of a potential minimum wage rate of £10 an hour from October 2022 and a further increase in the minimum wage rate for January 2023 to move as close as possible to the target figure of two-thirds of the median wage, as agreed by the States Assembly in the previous Minister's amendment to [P.98/2021](#).
56. The Forum will make its recommendations to the Minister in September, after which the Minister for Social Security will respond to the Forum's report.
57. Within some low pay sectors there are significant numbers of workers with less than five years' residence and this proposal is included in the mini budget to provide particular benefit to these groups who are not covered by the income support scheme or the COLTS payments.

*Encouraging landlords to avoid inflationary increases in rent*

58. Many private sector tenants will receive annual increases in their rental charges based on the rise in RPI, which is set out in standard rental agreements. The June 2022 figure for RPI was 7.9%.
59. The Government will work with landlords and estate agent representatives to encourage them to agree to cancel, or reduce, rent increases in the short-term given the current cost of living issues. If rents do rise in line with the high RPI figures now being experienced, these increases will feed into future RPI rates, keeping inflation higher for longer than necessary and having a negative impact on the overall economy.

*Funding a public communications campaign*

60. An important element of the mini budget is to ensure that good information is readily available on price comparisons as well as Government benefits and support to help families with cost of living pressures. Funding will be provided to support community organisations and publicity campaigns. The Government will also encourage and support community-based projects such as a community shop/hub and related support and advice services. Funding of £0.1m is allocated for these projects in 2022.

### **Postponing GST registration of offshore retailers**

61. Finally, although not part of the cost of living package of measures, the draft Finance Law defers the introduction of the obligation for offshore retailers to register under the Goods and Services Tax (Jersey) Law 2007. The date is being moved from 1 January 2023 to 1 July 2023 to provide offshore retailers more time to change their systems to comply with the law. Consequently, the GST *de minimis* level will remain at £135 until 1 July 2023, when it will reduce to £60.



## Summary of financial implications

Policy	Cost or loss of revenue in 2022	Cost or loss of revenue in 2023
Increase tax allowances by 12%	-	Actual £34.1m (approx. £22.3m above forecast)
<b>Total – income tax</b>	-	<b>Actual £34.1m (approx. £22.3m above forecast)</b>
Reducing social security contributions Oct-Dec 2022	£9m	
<b>Total – social security contributions</b>	<b>£9m</b>	
Doubling COLTS payments	£1m	
Doubling Community Costs Bonus	£0.5m	
Increasing uptake of Community Costs Bonus	Up to £3.6m	
Increase Income Support components in Jan 2023		£6.4m
Increase Cold Weather Bonus Oct 2022 to Mar 2023	£0.4m	£0.4m
Proving support for families with less than 5 years' residence	-	£0.4m
Accelerate plans to extend free sanitary products to all who require them	£0.1m	£0.5m
<b>Total – social security benefits</b>	<b>£5.6m</b>	<b>£7.7m</b>
Funding a public communications campaign	£0.1m	-
<b>Total – other measures</b>	<b>£0.1m</b>	<b>-</b>
<b>Total (compared with forecast)</b>	<b>£14.7m</b>	<b>£30.0m</b>
<b>Total (cost of package)</b>	<b>£14.7m</b>	<b>£41.8m</b>
<i>Note also: Increasing the Jersey old age pension</i>	<i>£4.2m (as planned)</i>	<i>£16.7m (as planned)</i>
<i>Note also: Postponing GST registration of offshore retailers</i>		<i>Up to £0.75m</i>

The ongoing impact of the income tax measures will be reflected in the proposed Government Plan 2023-26. Based on the latest assumptions of the Fiscal Policy Panel (FPP) and work of the Income Forecasting Group (IFG), income is forecast to exceed the forecasts in the current Government Plan 2022-25 by more than the costs of these measures.

The reduction in social security contributions will be met by the Social Security Fund.

The increase in social security benefits in 2022 will be funded by departmental underspends; and in 2023 by the increase in income referred above.

**Appendix – Impact of the increases to the income tax allowances on sample Jersey households**

<b>Household category</b>	<b>Income</b>	<b>Increased take home in 2023</b>
Single person	£20,800 p.a. (£10/hr)	£520
Single parent, one child	£20,800 p.a. (£10/hr)	Income below threshold
Married couple*, both earning, two children	£41,600 p.a. (£10/hr)	£619 (tax bill reduced to zero)
Married couple*, both earning, no children	£41,600 p.a. (£10/hr)	£1,040
Single person	£24,960 p.a. (£12/hr)	£520
Single parent, one child	£24,960 p.a. (£12/hr)	£198 (tax bill reduced to zero)
Married couple*, both earning, two children	£49,920 p.a. (£12/hr)	£1,243
Married couple*, both earning, no children	£49,920 p.a. (£12/hr)	£1,040

\*Includes civil partners

## APPENDIX 2

Table showing personal tax allowances for 2022 and the proposed 12% increase for 2023

<b>Threshold or allowance</b>	<b>Article in Income Tax (Jersey) Law</b>	<b>Current figure for 2022</b>	<b>New figure for 2023 (+12%)</b>
Married couples	92A(2)	£26,550	£29,750
Civil partners	92A(2A)	£26,550	£29,750
Second earners (spouse B)	92A(4)	£6,550	£7,350
Second earners (civil partner B)	92A(4A)	£6,550	£7,350
Individuals	92A(6)	£16,550	£18,550
Child allowance	95(1)	£3,060	£3,450
Child allowance (child's unearned income threshold)	95(4)	£3,060	£3,450
Child care	92B(1)	£6,273	£7,050
Child care (enhanced)	92B(1)	£16,320	£18,300
Child care – qualifying income definition (couples)	92B(5)	£6,550	£7,350
Child care – qualifying income definition (individuals)	92B(5)	£4,590	£5,150
Additional allowance in respect of children	98A	£4,590	£5,150

It should be noted that the proposed 2023 allowances have been rounded up to the nearest £50, as such the increase may be above 12% relative to 2022 in some instances.

### Re-issue Note

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This proposition has been re-issued to fix numerous spelling errors in the main text of the report.

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