

**WRITTEN QUESTION TO THE MINISTER FOR SOCIAL SECURITY
BY DEPUTY M. TADIER OF ST. BRELADE
ANSWER TO BE TABLED ON TUESDAY 24th MARCH 2009**

Question

Would the Minister agree to consider bringing forward for approval proposals to 'uncap' social security contributions and apply the current 6% rate to all wages earned and not merely the first £42,480 and would also he give an estimate of the additional income to be raised by this proposal?

Answer

I am committed to a full review of the current Social Security system starting in 2010. This will include an examination of the level of contributions and the impact of changing or removing the contribution ceiling.

The total social security contribution rate is 10.5%, made up of 5.2% from employees and 5.3% from employers. An additional 2% is levied in respect of health insurance, to subsidise the costs of GP consultations and prescribed drugs in Jersey.

Based on figures from the 2007 income tax data for employed earners, an additional £30 -35 million would be raised by requiring contributions of a total of 10.5% in respect of all earnings, on the assumption that the current ceiling for supplementation remains in place.

Through the present funding of supplementation by the States, tax payers subsidise approximately 70% of all workers, as their contributions do not fully cover the costs of their benefits and pensions.

Removing the ceiling could be used to transfer some of this cost from all taxpayers (taxed on the basis of earned and unearned income) to higher earning workers and the self-employed. The advantage is that it reduces the burden on taxpayers; the disadvantage is that it increases the burden on wage earners and business in general.