

**WRITTEN QUESTION TO THE MINISTER FOR SOCIAL SECURITY
BY THE DEPUTY J.A. MARTIN OF ST. HELIER
ANSWER TO BE TABLED ON TUESDAY 18TH JULY 2017**

Question

What plans, if any, does the Minister have to help start-up self-employed businesses deal with the payment of Social Security contributions in their first year of operations? What timescale does she have for implementing such plans and, if there are no such plans, could she explain why not?

Answer

There is already assistance for people who are self-employed and start-up a new business in the first two to three years of trading.

When starting a business, a person has two choices. They can either:

1. Pay Class 2 contributions based on their earnings situation from two years ago, or
2. Pay a deferred Class 2 contribution rate. This is currently set at £174.17 a month, which is equivalent to contributions based on earning £16,720 a year.

The first option helps people with previous earnings lower than £16,720 a year, because their contributions would be set at less than £174.17 a month. Depending on their situation, they may also have the option of opting out of paying contributions altogether, although this would affect their entitlement to contributory benefits and building their Social Security pension entitlement.

The second option, called “Deferred Rate Contributions” helps people with previous earnings higher than £16,720 a year by fixing the contributions they pay at a low level while they get their business up and running. During this time they are entitled to the full range of contributory benefits and they are building their entitlement to a Social Security pension.

After this initial period, their contributions are recalculated using their actual income from their business. There may be a balance of contributions to pay, or the option of a refund depending on their business income.

You can find out more at www.gov.je/DeferredRateContributions

We understand that every self-employed person’s business is different, that it can take time to build up a business and that incomes and cash flows will vary widely. If a person is struggling to pay their contributions, they can talk to the contributions team to arrange a suitable payment plan.

In addition, Income Support is available to low income households who satisfy the qualifying criteria.

A review of Class 2 contributions is currently underway and discussions have already taken place with Jersey Business, Digital Jersey and individual business owners; further consultation is planned with the Chamber of Commerce and other stakeholders.

This review is part of a larger programme which is examining all aspects of the contributory social security scheme. During 2016, a major public consultation “Living Longer: Thinking Ahead” asked for islanders’ views on saving for retirement and explored options in respect of the increasing cost of old age pensions.

Alongside the ongoing review of Class 2 contributions which will be completed this year, a further public consultation in 2017 will examine some of the other contributory benefits currently available.