

**WRITTEN QUESTION TO THE MINISTER FOR SOCIAL SECURITY
BY DEPUTY M. TADIER OF ST. BRELADE
ANSWER TO BE TABLED ON TUESDAY 11th SEPTEMBER 2018**

Question

What would be the estimated change in yield were the rate of Social Security contributions changed to –

- (a) 5% for both employee and employer, with no cap; and
- (b) with only employee contributions at 5%, with no cap?

Answer

Contributions from working age adults are due on earnings up to pre-defined earnings ceilings, which are set on an annual basis. In 2017 these limits were set as follows:

A contribution rate of 12.5% is payable on all earnings up to the Standard Earnings Limit (SEL) of £50,160 per year. For Class 1 contributors (employed) the 12.5% liability is split between the employer (6.5%) and the employee (6.0%). Class 2 contributors (self-employed and others not in paid employment) are liable to pay the full 12.5%.

A contribution rate of 2% is payable on earnings between the SEL and the Upper Earnings Limit (UEL) of £165,939 per year. Employers and Class 2 individuals are liable to pay the 2% contribution.

Monthly Earnings Limit	Amount per Month
Upper Earnings Limit (UEL)	£13,828
Standard Earnings Limit (SEL)	£4,180

Contributions Rates Modelled

Contributions Class	Contributor	Baseline	Scenario A	Scenario B
Class 1	Employee	6.0%	5.0%	5.0%
	Employer	6.5%	5.0%	6.5%
Earnings Limit		No Change	No UEL/SEL	No UEL/SEL

Analysis based on taking 2017 Class 1 contributions collected, and applying the scenarios above to show difference in yield with different Contributions rates up to the current UEL.

Contributions up to UEL

Scenario	Class 1 Contributions	Class 2 Contributions	Total Contributions
Baseline	£192,929,000	£19,914,000	£212,828,000
Scenario A	£178,698,000	£19,914,000	£198,612,000
Scenario B	£206,204,000	£19,914,000	£226,118,000

To estimate contributions above the current UEL Tax data for 2016 has been used to determine the amount of earnings that would be above the current UEL level to which the scenario percentages can be

applied. Tax data does not include the individual's contributor class and has been scaled to class 1 contributor values.

2016 Tax Data	Scenario A	Scenario B
Est. Contributions above UEL		
<i>Employee</i>	£6,132,000	£6,132,000
<i>Employer</i>	£6,132,000	£8,132,000

Yield Comparison

Scenario	Class 1 Contributions up to Current UEL	Est. Class 1 Contributions above Current UEL	Class 2 Contributions	Total Contributions	% Yield from Baseline
Baseline	£192,929,000	-	£19,914,000	£212,828,000	100.0%
Scenario A	£178,698,000	12,263,000	£19,914,000	£210,875,000	99.1%
Scenario B	£206,204,000	14,103,000	£19,914,000	£240,221,000	113.9%

The estimates do not take into account any changes in individual or business behaviour, or any wider economic impacts, that might result from changing the current contributions structure.

Estimates of contributions on earnings above the UEL are based on income tax data for 2016. These estimates are less certain due to variations arising from the ways in which income and earnings are defined. In addition, the contributions estimates for the highest earners are based on a small number of people. Any changes in the number of these people could have a disproportionate impact on the estimate and the actual sum achieved will be subject to considerable variation.