

**WRITTEN QUESTION TO THE MINISTER FOR TREASURY AND RESOURCES
BY DEPUTY M. TADIER OF ST. BRELADE
QUESTION SUBMITTED ON MONDAY 18TH OCTOBER 2021
ANSWER TO BE TABLED ON MONDAY 25TH OCTOBER 2021**

Question

Will the Minister provide members with an analysis of the financial impact of all employees' Social Security contributions being made exempt from tax; and will she state what consideration, if any, has been given as to whether it would be morally right to introduce a policy whereby such contributions would be made so exempt, in light of the fact that the Social Security pension itself, when claimed, is assessed as part of one's tax liability?

Answer

The Government has recently responded to two Petitions around the taxability of the States old-age pension and Social Security contributions. One of these closed in October 2019; and one remains open.

Social Security contributions fund a social-insurance scheme which provides a range of benefits, including the States old age pension. If a tax deduction was available for these contributions, it would materially reduce the State's income and this reduction in tax revenues would have to be recouped through other taxation measures in order to maintain public services.

For employed people, Social Security contributions are paid both by the employee and the employer. The employer's contribution – some 6.5% up to the Standard Earnings Limit (SEL) and a further 2.5% between the SEL and the Upper Earnings Limit (UEL) - is not subject to income tax and is a deductible expense of doing business.

I support the existing policy and the financial impact of changing it could cost many millions of pounds, which would put pressure across all public services, many of which are of significant benefit to low-wage earners.

It should also be remembered that some people work and pay employee contributions in Jersey for part of their working lives before moving to work and settle somewhere else. These people could benefit from income tax relief whilst they live and work here, but they will not be Jersey residents later in life when their pensions would be subjected to income tax if it exceeded the taxable threshold.

Finally, such a change would be essentially regressive in nature. Many lower-wage workers do not pay tax at all and thus would receive no benefit from this move. Higher wage earners who do pay higher rates of tax would see the most benefit.