STATES OF JERSEY

PROPOSED BUDGET (GOVERNMENT PLAN) 2026-2029 (P.70/2025): FIFTH AMENDMENT (P.70/2025 AMD.(5)) – COMMENTS

Presented to the States on 4th December 2025
by the Council of Ministers

STATES GREFFE

COMMENTS

Members are urged to reject this amendment as lodged and as amended by the proposer, and allow structured, evidence-based policy work to proceed as planned. Ministers reaffirm the commitments already made in the Budget to review both the Social Security fund and the LTC fund. Those reviews will include an examination of the role and value of the upper limits on contributions.

The amendment proposes a significant structural change to Jersey's social security and long-term care contribution system without supporting analysis and without regard to wider economic implications. Removing the Upper Earnings Limit (UEL) would increase the cost of doing business (a tax on jobs), harm Jersey's competitiveness in key sectors, and undermine the contributory/benefit principle of the programmes by increasing contributions without a corresponding change to benefit entitlements. Moreover, the additional funds anticipated from removing the cap rely heavily on a narrow and mobile taxpayer base on which Jersey already disproportionately depends; behavioural responses could therefore offset revenues and generate cross-tax losses elsewhere.

The amendment (and the associated amendment-to-the-amendment) frames the proposal as both a matter of fairness and a means of raising revenue. On fairness, LTC contributions already mirror the income tax system's personal allowance and marginal relief structure, ensuring that those with higher incomes pay proportionately more. Social Security contributions, by contrast, are a tax on creating well paid jobs, with all the burden above the standard earning limit falling on employers.

As a means of raising additional revenue, the amendment does not identify the specific financial pressure that would justify raising a highly concentrated tax burden on small groups of employers and individuals. It also fails to acknowledge the reviews that Ministers are undertaking in respect of both the Social Security fund and the Long-Term Care fund, as set out in the Budget document. The UEL for both Social Security and Long-Term Care contributions will be reviewed, along with other key policy levers such as rates, which may be more effective at achieving the goals of fairness and raising sufficient revenue. In advance of these reviews, it is premature to make changes to this one aspect of fund income.

The Council of Ministers strongly opposes making major changes to contribution rules by amendment in advance of the planned, evidence-based reviews. Members are therefore urged to reject both parts of the amendment for the following reasons:

a) Jersey's Tax Policy Principles, agreed by the States Assembly and repeated in the Budget, set expectations for all significant charges on income and employment. Those principles require that charges remain internationally competitive. Removing the UEL would materially harm Jersey's international competitiveness, particularly in the financial and legal services sectors that generate over 40% of tax revenues. These sectors rely on mobile, highly skilled professionals, and payroll costs are a critical factor in where firms locate staff and functions. Our closest peer retains a UEL of £188,604 (albeit with higher intermediate rates). Lifting the 2.5% employer cap on high-salary roles would raise the cost of employing senior staff, with clear risks of reduced activity in Jersey, restructuring to lower-cost jurisdictions, and relocation of key individuals or businesses.

b) It would impose an unexpected, uncapped burden on a small and highly mobile group of individuals who are able to relocate or restructure their compensation to avoid the increased charge. Behavioural responses could lead to potentially significant loss of revenue from existing tax streams, such as income tax, ITIS, corporate income tax and GST. A measure that produces only modest static revenue but carries a material risk of larger dynamic losses should be approached with considerable caution.

c) Jersey's Tax Policy Principles also require that taxation be necessary, justifiable, and sustainable. The Social Security Fund holds significant reserves and an increase in contribution rates in respect of the Social Security fund cannot be justified and is not necessary at this time.

d) The UEL has increased every year through automatic indexation. In 2019, the States agreed to raise the UEL from £176,232 to £250,000 in 2020 and to increase the employer rate above the Standard Earnings Limit (SEL) from 2% to 2.5%. This represented a single-year increase of more than 40% in the UEL and doubled the maximum contribution above the SEL to nearly £5,000 annually. The UEL in 2025 is £317,304. Given these substantial increases, removing the cap entirely would further increase business costs and place additional pressure on competitiveness.

e) The change is too significant to be made through an amendment. A decision of this scale requires full analysis of distributional and economic impacts, and proper consultation with employers, employees, and industry bodies. It must also be considered alongside the full range of policy options as part of the planned reviews, rather than adopted in isolation.