

Public Consultation by The Treasury

National Insurance Reform Proposals

Closing date for responses: 7 October 2022

Question 1

Do you think all working persons (under state pension age) should pay NICs irrespective of how they structure their affairs?

Yes.

It is inequitable that there remains loopholes for business owners to avoid paying NI contributions through the way they pay themselves, and this is also depriving Treasury of the necessary income to maintain adequate spend levels social security payments and health and social care provisions. The NHS allocation has been artificially held back for too long, which is unrealistic and unsustainable given the funding pressures on the NHS.

Treasury should also consider raising the Upper Earnings Limit to ensure that higher earners are adequately contributing towards the NI Fund, and improve cashflow into the Fund. The Lower Earnings Limit should not be reduced, however, continuing the protection already given to lower income families.

Question 2

Do you think that an employee who 'owns' their business (OMB) should pay National Insurance which aligns with that of a self-employed individual?

Yes.

Response comment as per Q1. The ongoing retention of such loopholes are potentially damaging to the Island's international reputation and to the public purse also at a time when public finances are increasingly under pressure.

Question 3

Do you agree that the merged payment of Class 2 and Class 4 National Insurance should be due and payable on 6th January following the year of assessment?

Yes.

Streamlining should help simplify for the self-employed taxpayer, and assist with their understanding. It should also assist Treasury in its administration of NI collection, provided such a move would not put at risk reciprocity with the UK's NI system.

In order to reduce the risk of self-employed persons from falling into arrears with their Class 2 contributions payments, should the proposed deferral of contributions payment until after tax year end is implemented, then Treasury should consider introducing a voluntary estimated "pay as you

go" instalment option for the self-employed (similar to the Class 3 direct debits), subject to final balancing at the time of end of year assessment. This would also assist with the cashflow funding position.

Question 4

Do you have any further information or comments that you may consider relevant?

It is inequitable that whilst employees working beyond State Pension Age are no longer required to make NI contributions, employers are still required to do so. To remove employer contributions, however, would have a detrimental impact upon the NI Fund. Instead, given the demographic time bomb with people living and working longer, and with increasing financial pressures both on the state pensions pot and the NHS, on balance Treasury should remove the exception for employees to pay National Insurance contributions upon reaching State Pension Age. If Treasury does still have concerns about an adverse impact on key workers beyond State Pension Age, then consideration could be given to introducing such a measure over say a 3 year period with gradually increasing contribution levels, or by introducing a reduced contribution rate for those over State Pension Age.

If the Island is to maintain an NI structure along similar lines to the UK as present rather than planning full scale radical reform of tax structures removing future use of NI system, then it is appropriate to align definitions as far as can be flexibly tolerated in order to maintain reciprocity.