

**REPORT AND PROPOSITION REGARDING THE PAYMENT  
OF A CHRISTMAS BONUS.**

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*Lodged au Greffe on 30th May, 1978 by the Social Security  
Committee.*

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**STATES OF JERSEY**

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## REPORT

### HISTORICAL BACKGROUND

1. At Christmas 1972 the late Senator J.J. Le Marquand was successful in bringing a proposition before the States to authorise the payment of a £10 Christmas bonus. The proposition was loosely drawn and payment was effected for residents both in Jersey and all over the world. There were also duplicate payments. In 1973 the Finance and Economics Committee brought forward proposals for a similar payment to only those resident in Jersey or the United Kingdom and duplicate payments were avoided; also the Policy Advisory Committee obtained approval to pay pensioners a cash payment of £5 for each of the months of June, July and August, 1974. In recommending these payments, attention was drawn to the very rapid rate of inflation then in progress and the need to protect pensioners because of the relatively low pensions available at that time. Details of the numbers paid and the costs are provided in *Appendix I*.
2. Since the last payment in 1974 circumstances have changed considerably. For instance the policy objective of providing a satisfactory level of benefits through the Social Security system was achieved with the introduction of the earnings related index linked Social Security scheme from 1st January, 1975, leaving the meeting of need to the Welfare system administered by the Parishes and financed jointly by the Parishes and the States. In that area too benefits have improved greatly and now stand at a substantially higher level than in the U.K. Not only this, considerable improvements have been made in paying for rent and the treatment of capital, also the role played by the Working Party on Need in harmonising the system, has proved valuable.
3. It was in view of these changed and improved circumstances that the proposals to pay a £10 bonus both in 1976 and 1977 were successfully opposed. Instead constructive proposals were agreed with the Constables to concentrate resources on those genuinely in need. At Christmas 1976 the Welfare Authorities paid a cash bonus of £12 to a single person and £18 to a married couple. This bonus was paid not only to persons on permanent welfare grants but also to any person who at the Constables' discretion should receive such a bonus. At Christmas 1977, £15 was paid to a single person and £22 to a married couple. Welfare payments are of course, tax free.
4. The States on Tuesday 7th February, 1978 approved a Proposition in the following terms:-

To request the Social Security Committee, as a matter of urgency, to report to the States on the best method of statutorily providing for those in financial or other need (with particular reference to the undermentioned persons) to receive an annual payment in December of each year, the first such payment being made in December

1978, at a rate of £10 and thereafter each December, the rate being reviewed having regard to any changes in the cost of living and in the general standards of life of the community and any other factors considered relevant -

- (a) any person who is ordinarily resident in Jersey at a prescribed time and who is entitled (or who is treated as being entitled) to the payment of any one of the following benefits in respect of a prescribed period -
- (i) a contributory old age pension, a widow's allowance, a widowed mother's allowance, a widow's pension or 100 per cent disablement benefit under the Social Security (Jersey) Law, 1974;
  - (ii) a non-contributory old age pension under the Non-Contributory Pensions (Jersey) Law, 1954;
  - (iii) an attendance allowance under the Attendance Allowances (Jersey) Law, 1973;
  - (iv) an extra statutory award provided for by Act of the States dated 23rd January, 1947;
  - (v) a pension under the Accident Insurance Laws, 1935 - 48; and
- (b) any other person to whom the Committee may consider it desirable or equitable that the payment be made.

#### FACTORS AFFECTING THE ALTERNATIVE METHODS OF PAYMENT

The following are some factors which affect the alternative methods of payment.

##### *Finance*

5. It is suggested that the financing of a Christmas Bonus should not come from one sector of the community such as employer and employee contributors to the Social Security Scheme. It has been a fundamental principle in Jersey over many years that the community as a whole looks after the less well off sector of the population. The States for instance supply money through general revenue to finance education allowances and housing rental rebates, non-contributory pensioners and family allowances. This principle is embodied into the welfare system where the local community or ratepayer assists the less well off native from the Parish, whereas the taxpayer through general revenue assists the non native. In the past this principle has also been carried through into the payment of a Christmas bonus which has been financed solely from general revenue. It would follow therefore that whatever

scheme may be adopted, it should be financed solely from general revenue which is the most equitable way. There should be a specific revenue expenditure vote of credit provided each year through the Budget so that all can see at any time the cost of the bonus and its administration.

*Income Bar (relating to Methods 2 and 6 only)*

6. An income bar is set at a level which is adjusted annually beyond which an allowance is not paid. The applicant is not required to state his income and only testifies that it is below the income bar level. If there is any query the applicant can supply his last assessment of taxable income (if any). Thus no new means testing machinery need be set up and the individual does no more than any one else in the community beyond making a tax return.

The Committee had the impression from the States debate on 7th February that if it was possible to disbar the well off from receiving the bonus without resorting to the traditional means test then this should obviously be considered. It is for this reason that the Committee draws attention to the income bar approach which meets this criterion.

*Statutory provision*

7. So far as implementation is concerned, for 1978 it is suggested that the scheme should be authorised by Act of the States; thereafter in Triennial Regulations taking into account experience gained in the first year.

*Taxation of the Christmas Bonus*

8. To date, the Comptroller of Income Tax has taken the view that the payment of a Christmas bonus has been of an occasional nature and therefore it has not attracted liability for Income Tax. However, any regular and continuing payment would attract tax unless legislation specifically exempted such a bonus. The proposition is silent on the subject of whether a Christmas bonus should be taxable. It is suggested that whatever method of payment of a bonus is adopted it should be non taxable in the interest of minimising administrative costs to the Income Tax Department in collecting relatively small sums of money. In addition, if the method of payment adopted is of a broadly selective nature the need to claw back tax is to a large degree obviated. The setting of an income bar at the small income exception limit would for instance in any case avoid liability for tax.

*Double Payments*

9. It is suggested that whatever method is chosen, appropriate legislative steps be taken, where practicable, to avoid double payments arising from the payment of a bonus by another country to persons eligible for a payment from Jersey.

*Future Christmas Payments by the Welfare Authorities*

10. It will be a matter for individual Welfare Authorities to consider and decide on the impact of any statutory bonus payment on their own arrangements for making Christmas payments to those most in need.

*Alternative methods of paying a Christmas Bonus*

11. The Committee has given consideration to the suggestions put forward during the Debate on 7th February concerning different methods of paying a Christmas Bonus. These, together with other methods, are set out in *Appendix 2*.

12. The Committee recommends Method 1 as follows:

*Payment of a Christmas Bonus on the basis of qualification for certain social security benefits and persons listed in paragraph 6 (1)(b) of Deputy Horsfall's Proposition*

In 1972, 1973 and 1974 a £10 Christmas bonus was paid to selected groups of Social Security beneficiaries without consideration of means. There are two problems to be considered in payment to selected groups of such beneficiaries. Firstly, there is no ability to test means and therefore payment must go to all beneficiaries within the group irrespective of their needs. Secondly, there may be persons outside the groups selected who are equally deserving of a bonus.

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|----------------|--|
| Advantages:    | (a) Administratively simple and cheap maximising computer techniques.                    |
|                | (b) Clear cut entitlement.   |
|                | (c) Could be restricted to those living in Jersey.                                       |
|                | (d) Avoids take up problems.   |
| Disadvantages: | (a) Not related to need and therefore payments are universal within the selected groups. |
|                | (b) Deserving groups may be left out.  |
|                | (c) Does not make the best use of public money.  |

*Cost*

On the basis that the payment is £10 to all categories listed in 1(a) of the proposition, living in Jersey, including administrative charges the 1978 cost would be about £100,000 and a further figure for those in 1(b) amounting to about £10,000 if restricted to payment to those over pension age.

13. On the basis that a bonus is to be paid, the Committee considers that despite its disadvantages this is the best method. In reaching this conclusion the Committee has had to weigh up the virtues of a selective payment against the problems of those in need not taking advantage of a selective scheme where payment depends upon application. In the final analysis, whilst alternative selective schemes are practicable, the Committee considers it preferable to pay to all, at some higher cost, rather than risk leaving out people particularly the elderly, who might fail to apply or otherwise be eligible through a selective method.

14. The way in which the recommended method would be implemented is as follows. All those in receipt of the social security benefits listed in the proposition are known to the Department. At a specified date in December they will automatically be sent a computer produced open cheque in the amount of the bonus. As in former years the Committee proposes to restrict payment to those in paragraph 1(b) of the proposition over pension age, not in receipt of a social security benefit and resident in the Island for at least five years. From past experience about 1000 persons may be eligible. They are not known to the Social Security Department. Accordingly, as hitherto, they will be invited to make a simple application.

15. So far as financing the method is concerned, each year the Finance and Economics Committee would include in their Welfare Service Vote of revenue expenditure a sum necessary to provide for the payment. Each year in the Spring that Committee having consulted with the Working Party on Need (whose membership includes representatives of Finance and Economics, Social Security and Housing Committees, also Constables' Committee) would recommend to the States an appropriate level of bonus to be paid that year having regard to any changes in the cost of living and in the general standard of life of the community and other factors that it considered relevant. It would then be for the States to decide on the Committee's recommendations.

16. So far as authorisation is concerned, the Committee believes that the general proposals which it has outlined should be incorporated in Triennial Regulations to be presented jointly by the Finance and Economics and Social Security Committees. This has the advantage of providing an opportunity for the States in due course to have a look at the operation of the system in the light of experience and to vary it if circumstances so warranted. In the interests of introducing the Scheme this year, the Committee will seek approval for it to be authorised by Act of the States.

## APPENDIX I

## EX-GRATIA PAYMENTS TO PENSIONERS

The approximate numbers of people who received bonus payments in the past years, and the costs of making those payment are as follows:-

	<i>Persons Paid</i>	<i>Amount</i>	<i>Admin</i>	<i>Total</i>
	£	£	£	£
Christmas 1972* (Pensioners)	10,010			
14.2.1972** (N.C.P.)	550			
(Widows under age 60)	500			
	<u>11,060</u>	<u>110,600</u>	<u>418</u>	<u>111,018</u>
Christmas 1973 (Pensioners)				
13.11.1973** (+ N.C.P.)	8,750	87,500	1,540	89,040
Summer 1974+ (Pensioners)				
14.5.1974** (+ N.C.P.)	10,030	150,450	2,637	153,087
Christmas 1974 (Pensioners)				
29.10.1974** (+ N.C.P.)	8,955	89,550	2,576	92,126

\* The higher numbers of persons paid at Christmas, 1972 was the result of legislating to pay to persons living all over the world and not just those resident in Jersey. Note also the decision to pay widows under age 60 in receipt of "Widows' Pension".

+ The high figure of persons receiving the 3 x £5 bonus of Summer 1974 arose because persons in Jersey in receipt of composite pensions were also eligible to receive these payments.

\*\* States' Approval.

At Christmas 1976 the Parish Welfare Authorities paid a cash bonus to persons in receipt of Parish Welfare Grants and the numbers of persons estimated to have received the cash bonus was 1300. The cost of the payments being approx. £16,130 throughout the Island. It should be noted that the payments by the Parish Welfare Authorities was not restricted to persons over pensionable age.

## APPENDIX 2

## ALTERNATIVE METHODS OF PAYMENT NOT SELECTED.

*Method 2**Selective Payment of a Christmas Bonus on the basis of Income Tax Returns.*

The Income Tax Department in effect means tests all persons above the tax threshold without the stigma attaching to the traditional means test. In addition it is possible for that Department, on application, to give a certificate of income, if any, where a person is below the tax threshold. This is already done for the claiming of Family Allowances and Earnings Related Class 2 Social Security Contributions. It would be possible for the Income Tax Department to identify all persons below a given level of income and a cash payment could be made on application to the Treasury.

- Advantages:
- (a) Eligibility for the bonus is based on income without the traditional means test.
  - (b) Limited to those living in Jersey.
  - (c) Cost is easily controllable.

- Disadvantages:
- (a) Administratively costly and cumbersome.
  - (b) Yet another incentive to people to minimise their taxable income.
  - (c) Makes many more people liable to file a tax return.

*Cost*

Depends largely on the level of income bar.

*Method 3**Payment of an additional Week's benefit in December*

It would be possible to amend the Social Security (Jersey) Law, 1974 so as to pay every social security beneficiary in receipt of specified benefits, an extra week's value of that benefit each year early in December. The Benefit is in any case increased each year having regard to the cost of living and wage movements so that the value of the extra week's benefit would be regularly increased. The main draw back of such a scheme is that there are a variety of different rates of pension in force according to the number of years that the beneficiary has paid contributions in Jersey. Arising from the relationship with the United Kingdom, the work pattern of a number of people now retired in Jersey has been to spend part of their working life in the U.K. and part in Jersey. A substantial number of people

only receive a very small pension from Jersey because of this situation and therefore the additional week's benefit in December would be insignificant. Furthermore the rates vary for different benefits and to provide an extra week's value of that benefit in December could be considered inequitable amongst different groups of beneficiaires.

**Advantages:**

- (a) It is easy to identify eligible persons and the administration is simple.
- (b) Persons would be paid according to their previous Jersey contributions to the Fund.

**Disadvantages:**

- (a) Insignificant cash sums would be paid to a number of people.
- (b) No eligibility for those not in receipt of benefit.
- (c) The additional weeks benefit would have to be paid to beneficiaries irrespective of whether or not they live in Jersey.
- (d) Amendments would be required to the Social Security (Jersey) Law, 1974 and other relevant legislation and this could not be achieved quickly.
- (d) Does not meet criteria in proposition e.g. is not related to financial need.

#### *Costs*

The majority of the cost would be borne from the Social Security Fund and would over the years require an adjustment in contribution rate. Based on current benefit rates and numbers of beneficiaries the annual cost to the scheme would be of the order of £160,000.

#### *Method 4*

*Payment of an additional week's benefit in December by withholding a proportion of the benefit throughout the year*

It would be possible to pay specified groups of beneficiaries an extra cash sum in December each year by in effect enforcing "compulsory saving" throughout the year of a specified amount of their benefit, sufficient to achieve the desired value of the extra payment at Christmas. Whilst the amount that would have to be saved each week would be a small proportion in the case of a beneficiary receiving the full rate of benefit, for a beneficiary who had only a small weekly benefit it could

account for quite a substantial part of his weekly benefit. For example, a person receiving an old age pension from Jersey of only £1 per week (because of the majority of his life he had worked and contributed in the United Kingdom) would have a quarter of his pension withheld each week to provide any meaningful cash bonus at Christmas.

- Advantages:**
- (a) Only additional cost is administrative.
  - (b) Groups eligible are clearly identified.
- Disadvantages:**
- (a) Enforced saving is hard on those with a small benefit if a £10, as opposed to a pro rata payment, were to be made.
  - (b) Problems of refund in respect of those who die during the year and insufficient saving by recent beneficiaries.
  - (c) Payment could not be restricted solely to those resident in Jersey.
  - (d) Substantial groups of people would be left out.

#### *Cost*

Nil except for administrative expenses.

#### *Method 5*

##### *Selective Payment through the Parish Welfare System*

In listing and commenting upon the range of alternatives, the Committee believes it should include the present system of the payment of a Christmas bonus through the Parish. If it is desired to make a cash Christmas bonus payment on the basis that it should go only to persons in need, then the Parish Welfare System is available to achieve this. It is a fact that this system has been used to provide more than a £10 bonus in each of the past two years. It is inherent that there are always people who will not make use of such a system.

- Advantages:**
- (a) This method allows resources to be concentrated on those most in need.
  - (b) It is administratively straightforward.
  - (c) The welfare system is flexible and therefore payments can also be made to people who may need the bonus yet are above the means tested limit.

- Disadvantages:
- (a) It does not provide for and identify many people who are just above the means tested line.
  - (b) Some people may be discouraged from applying for the payment because of the stigma they believe attaches to so doing.
  - (c) The system is discretionary rather than statutory and so that extent does not meet the criteria in the proposition.

#### *Cost*

In 1976 the Parishes paid about 1,300 and based on the payment of £12 to a single person and £18 to a married couple the cost was £16,130. It is anticipated that the 1977 payment will be of the order of £20,000.

#### *Method 6*

##### *Payment of a Christmas Bonus on application and with an income bar.*

It would be practicable to effect the payment of a bonus on a selective basis without a traditional means test and on application. The completion of an application form would signify that the applicant's income was below an income bar and provide authority for this to be checked if necessary with the Comptroller of Income Tax. The bar could be set at a level to be decided by the States and adjusted each year. It might be set at a level related to exemption from income tax by reason of small income exception.

- Advantages;
- (a) A degree of selectivity is introduced without resorting to the traditional "means test" and allows resources to be concentrated where most required.
  - (b) Only those would apply who felt that they required the bonus.
- Disadvantages:
- (a) Administratively costly.
  - (b) Possible lack of take up.

#### *Cost*

Depends largely on where the income bar is set.

## PROPOSITION

**THE STATES are asked to decide whether they are of opinion:-**

- (1) to approve the payment of a tax free sum of ten pounds to any person who:-
  - (a) is at present or ordinarily resident in Jersey at any time during the week beginning 27th November, 1978; and
  - (b) is entitled to the payment of any one of the undermentioned qualifying benefits in respect of a period which includes a day during the week beginning 4th December, 1978 or is to be treated as entitled to a payment of a qualifying benefit in respect of such a period namely:-
    - (i) a contributory old age pension, a widow's allowance, a widowed mother's allowance, a widow's pension or a hundred per cent disablement benefit under the Social Security (Jersey) Law, 1974;
    - (ii) a non-contributory old age pension under the Non-Contributory Pensions (Jersey) Law, 1954;
    - (iii) an attendance allowance under the Attendance Allowances (Jersey) Law, 1973;
    - (iv) an extra statutory award provided for by Act of the States dated 23rd January, 1947;
    - (v) a pension under the Accident Insurance Laws 1935-48;
- (2) to approve the payment on application of a tax free sum of ten pounds to any person who has attained pensionable age not later than 4th December, 1978 and who, whilst not being eligible for any of the benefits in paragraph (1)(b) of this Proposition, has been continuously ordinarily resident in Jersey for five years immediately preceding 4th December, 1978;
- (3) to agree that where a person is entitled to receive a ten pound lump sum payment under the legislation of the United Kingdom, Northern Ireland, the Isle of Man, Gibraltar or Guernsey, he shall not also be entitled to a ten pound payment under the terms of this proposition;

- (4) to agree that the right of any eligible person to the ten pound special payment shall be extinguished if payment is not obtained within six months of 4th December, 1978;
- (5) to authorise the Finance and Economics Committee to obtain the necessary vote from General Revenues out of which the payment and all administrative costs incurred with the making of the payment shall be paid;
- (6) to charge the Social Security Committee to administer the making of the special payments on behalf of the States and to determine any question of entitlement that may arise, such determination to be final;
- (7) to charge the Finance and Economics and Social Security Committees to prepare triennial legislation to implement the proposals in paragraphs (1) to (6) of this Proposition in 1979 and for subsequent years; which should also provide for a review of the rate of the cash payment having regard to any changes in the cost of living and in the general standard of life of the community and any other factors considered relevant;
- (8) to charge the Finance and Economics Committee to obtain the necessary vote of credit each year.

#### SOCIAL SECURITY COMMITTEE.