

# Contributions: Employed persons no. 40

This leaflet details the contribution requirements  
for employed people.



States of Guernsey  
Social Security

If, after reading this leaflet, you still have unanswered questions, please contact us on **732502**.

This leaflet should be read with Leaflet 50, which contains all the current benefit payments and contribution rates, available from **[www.gov.gg/SScontributions](http://www.gov.gg/SScontributions)**

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*This leaflet is for guidance and must not be treated as a complete and authoritative statement of the law.*

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# Meaning of some of the terms and expressions used in this leaflet

## **“Contribution Week”**

A week starting on the day of the week on which January 1st falls.

## **“Lower Earnings Limit”**

The level of earnings at which, in respect of an employed person, the employee and employer become liable for the payment of contributions. These contributions may also be used to calculate a person’s entitlement to benefit.

## **“Upper Earnings Limit”**

This is the highest level of earnings on which contributions are calculated.

## **“The following contributions cannot be used to calculate benefit entitlement”**

Contributions paid by an employer in respect of an employee who is over pension age.

**Note:** There may however, be entitlement to certain Industrial Injuries benefits if any of the above contributions have been paid.

The current contribution percentage rates along with the Lower and Upper Earnings Limits are shown in Leaflet 50 (Benefit Payment and Contributions Rates).

# Employed people – where you fit in

Generally speaking, the Social Insurance Scheme applies to all people in Guernsey, Alderney, Herm and Jethou who are over school leaving age. There are three classes of insured people, paying different rates of contribution.

The reason you pay contributions is to give yourself the protection of insurance. Your payments will then entitle you to claim benefits.

The classes are:

## **Class 1: Employed people**

Most people who work for wages or a salary under a contract of service are in this class.

## **Class 2: Self-employed people**

Those people who are in business for themselves and other people who are working for gain but not under the control of an employer.

## **Class 3: Non-employed people**

All insured people who are not employed or self-employed.

**This leaflet is only concerned with employed people and their liability to pay Class 1 contributions.**

# Who is regarded as employed?

An employed person, for the purposes of the Social Insurance Scheme, is anyone who is gainfully occupied in employment under a contract of service.

However, there are people who, although not under a contract of service, are nevertheless treated as employed. This includes people who are:

- A. Contracted to work on a 'labour only' basis in the horticultural industry.
- B. Contracted to work on a 'labour only' basis within the construction or building industries.

N.B. Where the person is supplied by a third party and receives payment from that party, the third party will be treated as the employer. In all other cases the employer will be the person with whom the worker contracted to do the work.

The above employees are required to pay Class 1 contributions.

# Employed people NOT liable to pay contributions

People who are not to be treated as employed are:

- A. A person working for an employer, whose earnings in any week (or month) are below the 'Lower Earning Limit', that is below the level at which contributions must be paid.
- B. A person working for their spouse. If that person assists their spouse in a trade or business for 24 hours or more a week, that person is regarded as self-employed.
- C. A person who works for a near relative in a private house in which both reside and the employment is not for the purpose of any trade or business carried out there.
- D. Students under school leaving age.

## How and when are contributions paid?

Every employed person who is over school leaving age and receives earnings which exceed the Lower Earnings Limit must give their employer, within seven days of starting work, a Social Insurance Registration Card. These cards are obtained on application from either Social Security or the Alderney States Office.

The registration card shows the employer whether there is any liability for the payment of Primary (Employee) and/or

Secondary (Employer) Class 1 contributions, as follows:

1. **Blue card** – Full rate liability
2. **Orange card** – Employer Only liability

The employer has to keep an official record of the people who work for them, how much they are paid, and how much has been deducted for Social Insurance contributions. This record is known as the schedule.

Where there is liability to pay contributions, the employer will enter on the schedule, the employee's name and Social Security number as given on the registration card.

For each week or month on the schedule, the employer will enter the gross earnings and calculate the value of the Primary Class 1 contribution, which is then deducted from the wage or salary. The employer will then calculate the value of the Secondary Class 1 contribution which is payable by them. Primary and Secondary Class 1 contributions will only be calculated on gross earnings between the Lower and Upper Earnings limits.

At the end of each quarter, the employer returns the schedule to Social Security along with the total due in respect of the Primary Class 1 contributions deducted from the employees, plus the Secondary Class 1 contributions for which the employer is liable.

Contributions collected and paid on behalf of the employees are then allocated to the employees' insurance record, held at Social Security.

# Registration Cards

Employees below school-leaving age do not need a registration card and neither the employee nor employer has to pay contributions. Once school leaving age has been attained, an application for a registration card must be made.

## Blue card

Employees under pension age are issued with a Blue card, requiring full rate contributions to be paid by both the employee and employer.

## Orange card – over pension age

From the week or month following pension age, the employee's contribution is no longer payable. The employer, however, is still required to pay employer contributions in the same manner to that of an employee below pension age. An orange registration card, denoting this, must therefore be obtained.

From pension age, employees become liable to pay specialist health care contributions. Details are given in leaflet 21, People over pension age

## What are the rates of contributions?

The percentage rates payable by employer and employee may change from time to time. The current rates are set out in Leaflet 50.

# What are gross earnings?

Gross earnings are the total wages or salary earned before any deductions are made.

They include additional payments such as overtime, bonuses, commission, or gratuities paid by the employer. From 1 January 2009 all benefits in kind have been included as part of gross earnings. The value to be included on the schedule is the same value as determined for Income Tax purposes. This is the net weekly or monthly value following the deduction of the Income Tax exemption figure where applicable.

Any holiday pay which is paid to an employee in advance is attributed to the week or month in which it would normally be paid, and not the week or month when it is paid.

The following payments are not counted as part of gross earnings:

- A. Expenses incurred by the employee in connection with employment.
- B. Set aside savings which are paid to an employee in the week or month in question but which have been included in the gross earnings of a previous week or month.
- C. Gratuities received directly by the employee.
- D. A lump sum relating to redundancy pay given to an employee on termination of employment
- E. The value of any Social Security Benefit handed back to the employer by the employee.

An employer is still required to make deductions when an employee who is unable to work because of illness or injury is nevertheless being paid a wage or salary. However, gross earnings can be reduced by the amount of the benefit handed back to the employer.

## **What happens if I have more than one job?**

A registration card must be given to each employer who is paying earnings at or above the Lower Earnings Limit. The employer will then be able to make the appropriate deductions and complete the schedule return.

## **Suppose I earn more than the Upper Earnings Limit?**

If during the course of a calendar year contributions paid on gross earnings from all employments combined is more than 52 times the maximum weekly contribution from one employer, a refund of the excess will be issued.

## **What happens if I am also self-employed?**

If you are both employed and self-employed you must pay both a Class 1 employed contribution as well as your Class 2 self-employed contribution. However, this does not apply if your self-employed earnings are less than the annual lower earnings limit.

An account for self-employed contributions is sent at the end of each quarter for any weeks not worked for an employer. A further annual account will then be issued at the self-employed rate for weeks where employed contributions have been paid.

Everyone who is liable to pay Class 2 contributions must inform Social Security of their self-employment.

For more information on self-employment see leaflet no. 41.

## **Employees sent to work outside Guernsey**

If an employee is sent by their employer to work temporarily outside Guernsey (or Alderney) as part of their employment, they will pay contributions as if they were actually working in Guernsey (or Alderney).

Employers are encouraged to advise Social Security when their employees are working outside the Islands. Reciprocal

Agreements exist with a number of other countries and in some cases it is part of the Agreement that a certificate of continuing liability is issued by Social Security. This certificate will help avoid any delays if the employee needs to claim benefit while working away.

## **Do I still pay if I am sick?**

If you are unable to work because of illness or injury you are entitled to a credit for each contribution week for which you produce medical evidence of your inability to work. However, if your employer continues to pay wages during this period, Class 1 contributions must still be paid by both you and your employer.

The value of gross earnings on which contributions are calculated should be reduced by the amount of any Social Insurance benefit handed to the employer. See leaflet 20 for further details.

## **What must I do when I change my job?**

On ceasing employment, employers should hand back the registration card they have been retaining for you. This can then be passed to your new employer who will retain the registration card for their records.

## **Do I still pay if I become unemployed?**

If you have finished work through no fault of your own you can be given a credit for each contribution week during which you register at the Job Centre at Social Security. Leaflet 12, Unemployment Benefit, gives details of what to do when becoming unemployed.

If you choose not to register as unemployed you will become liable to pay non-employed contributions. Provided you are still seeking employment, these contributions will be at a special rate to enable you to maintain your contribution record.

## **What must I do if I stop being employed?**

If, before pension age, you decide to stop working as an employee, you should contact Social Security or the Alderney States Office so that your classification can be amended accordingly.

# Special rate non-employed contributions

If you are normally employed but:

- A. Your earnings fall below the 'Lower Earnings Limit' for a short period, or
- B. You are temporarily out of work or between jobs and you do not wish to claim unemployment benefit or you are not entitled to receive an unemployment benefit credit, or
- C. You are ill but not entitled to a sickness benefit credit

You will continue to be treated as an employed person but you will be entitled to pay contributions at the non-employed special rate for weeks not covered by a class 1 employed contribution.

## What benefits am I entitled to?

As an employed person you are entitled to the following benefits, subject to having fulfilled the appropriate conditions:

- 1) Sickness benefit
- 2) Incapacity benefit
- 3) Industrial injury benefit
- 4) Industrial medical benefit
- 5) Industrial disablement benefit
- 6) Unemployment benefit

- 7) Old age pension
- 8) Bereavement benefit
- 9) Death Grant
- 10) Maternity benefit
- 11) Travelling allowance grant

N.B. Although students and employees whose earnings are below the Lower Earnings Limit are not liable for the payment of Class 1 contributions they will nevertheless be entitled to industrial benefits if they suffer personal injury by accident arising out of and in the course of their employment.

Entitlement to benefit under the Health Benefit Grant, Pharmaceutical, Specialist Health and Long Term Care Schemes is detailed in leaflets 2, PS2, HB2 and LTC1. Leaflet 50 (Benefit Payment and Contribution rates) sets out the current contribution rates for :

- 1) Employed persons
- 2) Self-employed persons
- 3) Non-employed persons (full and special rate)
- 4) People over pension age
- 5) Lower and upper earnings/income limits
- 6) Current rates of benefit

## For further information

If you are unsure of the meaning of any particular point in this leaflet, please contact Social Security, or the Alderney States Office, where staff will be pleased to help you, and from where copies of other leaflets may be obtained.

More information is also available on the States website here: [www.gov.gg/SScontributions](http://www.gov.gg/SScontributions).

If you are writing to Social Security, please quote your social insurance number, if known.

## What to do if you have a complaint

If you are dissatisfied with any aspect of our services please let a member of staff know at the time so that we can try to resolve the issue immediately. If you wish to make a formal complaint to Social Security, please contact us for a complaints leaflet and return the completed complaints form to **Social Security, Edward T. Wheadon House, Le Truchot, St Peter Port, GY1 3WH**.

You can also request more information by email and return your complaint form to [socialsecuritycomplaints@gov.gg](mailto:socialsecuritycomplaints@gov.gg) or send your complaint or a compliment to us online at the States website, by visiting [www.gov.gg/ccs](http://www.gov.gg/ccs) and completing the electronic form.





# How we collect and use information

Social Security processes personal information for social security purposes in order to carry out functions relating to the relevant social security and associated legislation that it administers. The information collected will depend on your business with us, but will be no more than is required for that purpose. We may get information about you from others for any of our purposes if the law allows us to do so. We may also share information with certain other organisations if the law allows us to. Any personal information you give to us will be processed in accordance with the Data Protection (Bailiwick of Guernsey) Law, 2001. If you wish to know more about the information we have about you, or about the way we use it, you can ask at the Office of the Committee for Employment & Social Security or by emailing:

**[employmentandsocialsecurity@gov.gg](mailto:employmentandsocialsecurity@gov.gg)**