

**Carer's Allowance Supplement (Scotland) Bill – call for views  
Response from the Low Incomes Tax Reform Group (LITRG)**

**1 Executive Summary**

- 1.1 We welcome the Bill and the two measures it contains. We believe the legislation as drafted carries out the intended policies – to increase the December 2021 payment and to give the Scottish Government the power to increase the amount of a Carer's Allowance Supplement going forward.
- 1.2 We think that it is essential that there are good communications to highlight to recipients of Carer's Allowance Supplement three points about the increased December 2021 payment: it is correct; it is taxable; it is not taken into account when determining entitlement to tax credits or other benefits.

**2 About Us**

- 2.1 The Low Incomes Tax Reform Group (LITRG) is an initiative of the Chartered Institute of Taxation (CIOT) to give a voice to the unrepresented. Since 1998, LITRG has been working to improve the policy and processes of the tax, tax credits and associated welfare systems for the benefit of those on low incomes. Everything we do is aimed at improving the tax and benefits experience of low-income workers, pensioners, migrants, students, disabled people and carers.
- 2.2 LITRG works extensively with HM Revenue & Customs (HMRC) and other government departments, commenting on proposals and putting forward our own ideas for improving the system. Too often

the tax and related welfare laws and administrative systems are not designed with the low-income user in mind and this often makes life difficult for those we try to help.

- 2.3 The CIOT is a charity and the leading professional body in the United Kingdom concerned solely with taxation. The CIOT's primary purpose is to promote education and study of the administration and practice of taxation. One of the key aims is to achieve a better, more efficient, tax system for all affected by it – taxpayers, advisers and the authorities.

### **3 Introduction**

- 3.1 LITRG welcomes the opportunity to respond to the call for views on the Carer's Allowance Supplement (Scotland) Bill published by the Social Justice and Social Security Committee of the Scottish Parliament.
- 3.2 Under the provisions of the Bill, the Carer's Allowance Supplement paid in December 2021 would be doubled. This payment will cover the period from 1 October 2021 to 31 March 2022. The normal amount of Carer's Allowance Supplement due in December 2021 is £231.40; this would be doubled to £462.80. Individuals in receipt of Carer's Allowance on 11 October 2021 will receive the December 2021 Carer's Allowance Supplement payment. In addition, the Bill will give the Scottish Government the ability to increase the amount of a Carer's Allowance Supplement going forward by regulations under the affirmative procedure.
- 3.3 This follows the Coronavirus (Scotland) (No. 2) Act 2020, which provided a double payment of Carer's Allowance Supplement in June 2020, which covered the period from 1 April to 30 September 2020.

### **4 What are your views on the increased payment of the Carer's Allowance Supplement?**

- 4.1 Section 1 of the Bill amends section 81 of the Social Security (Scotland) Act 2018, to add an additional £231.40 to awards of Carer's Allowance Supplement for the period from 1 October 2021 to 31 March 2022. Section 2 of the Bill amends section 81 of the Social Security (Scotland) Act 2018 such that going forward the Scottish Government will be able to increase the amount of a Carer's Allowance Supplement by regulations under the affirmative procedure. We believe the legislation as drafted carries out these policies.
- 4.2 We welcome this Bill and the increased payment of the Carer's Allowance Supplement. Overall, we agree with the rationale for the measures as set out in the Policy Memorandum to the Bill, based on the following points. In order to be in receipt of Carer's Allowance Supplement, individuals must be in receipt of Carer's Allowance. This is only payable to those who carry out 35 hours or more of caring

per week. In addition, their income from earnings must be no more than £128 per week.<sup>1</sup> Moreover, as noted in the Policy Memorandum, Carer's Allowance is the lowest of all working age benefits, unpaid carers are likely to have suffered a loss of income during the coronavirus pandemic, and those in receipt of Carer's Allowance are more likely to be in the lower income deciles.

- 4.3 In terms of section 2 of the Bill, we agree that regulations subject to the affirmative procedure are a reasonable approach to take if there is a need to increase the amount of a Carer's Allowance Supplement going forward. Regulations subject to the affirmative procedure have some limitations, in that once drafted they cannot be amended – they can only pass or fail as published. Nevertheless, they provide a balance between scrutiny and speed; moreover, in relation to simply amending the amount of a benefit, as in this case, there is less danger of incorrect drafting and this seems a sensible approach to take.

## **5 Do you agree with increasing the December payment of Carer's Allowance Supplement?**

- 5.1 As noted in response to the previous question, we welcome the Bill and the increased payment of Carer's Allowance Supplement for December 2021.
- 5.2 This measure goes some way to recognising financially the important role carried out by unpaid carers. The increased payment will not only support the carers themselves, but indirectly, it will also support the people those unpaid carers are caring for, by helping to ensure that they can continue to carry out this role.

## **6 Do you have any views on the Bill's Financial Memorandum?**

- 6.1 Eligibility for Carer's Allowance Supplement is based on eligibility for Carer's Allowance, which is in itself dependent on various factors, including level of earnings, number of hours worked and whether the cared for individual is in receipt of certain benefits. We would simply note that these factors are outwith the Scottish Government's control, as are publicity campaigns about such reserved benefits. Thus, it is possible that there could be an increase in eligibility for Carer's Allowance Supplement (resulting in increased costs for the Scottish Government) due to actions taken by the UK Government and its Departments – whether through changes to the entitlement rules for Carer's Allowance or awareness raising about Carer's Allowance. Presumably, the Scottish Fiscal Commission forecasts take these factors into account.

## **7 Do you consider the increased payment the best way to support unpaid carers with the challenges faced as a result of the COVID-19 pandemic?**

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<sup>1</sup> After income tax, National Insurance contributions and certain expenses. See GOV.UK for more information: <https://www.gov.uk/carers-allowance/eligibility>

- 7.1 We are not best placed to comment on whether there are other, non-financial methods of supporting unpaid carers. However, it appears to us that increasing the amount of Carer's Allowance Supplement is a good way of targeting support to unpaid carers. It of course does not assist those who do not qualify for Carer's Allowance and therefore Carer's Allowance Supplement for whatever reason.
- 7.2 We note that, because Carer's Allowance Supplement tops up Carer's Allowance, it is taxable – because Carer's Allowance is taxable. Due to the terms of the Smith Agreement, however, it was important to ensure that being in receipt of the Carer's Allowance Supplement does not affect a carer's entitlement to other benefits, such as tax credits or Universal Credit. Thus Carer's Allowance Supplement is not taken into account when determining eligibility for tax credits and other benefits. Although it is taxable, because of the eligibility requirements, it is perhaps less likely that an unpaid carer is earning significant amounts of income at the same time as receiving Carer's Allowance Supplement, so it may in fact not be subject to tax. In this regard, for those unpaid carers that are eligible to receive the payment, it is a good way of providing assistance.
- 7.3 In our view, the way in which the legislation provides for the measure should ensure that the additional payment is treated in exactly the same way as any other payment of Carer's Allowance Supplement, for tax, tax credits and benefits purposes.
- 7.4 As we pointed out in our evidence in relation to the Coronavirus (Scotland) (No. 2) Bill,<sup>2</sup> a key issue will be to ensure good communications with recipients of the additional payment (and any future additional payments made by regulations). This is to ensure they know that the additional payment is correct and not a payment made in error. Although many carers may welcome the increased amount, some carers may be concerned that it is an error, which might cause them unnecessary worry. In addition, it is important to remind recipients that the payment is taxable, as some individuals who receive the payment may be taxpayers for the 2021/22 tax year.<sup>3</sup> Finally, clear information that their Carer's Allowance Supplement, including the additional amount, is not taken into account when determining entitlement to other benefits is necessary. This is important because for tax credits, Carer's Allowance Supplement is treated differently to Carer's Allowance.<sup>4</sup> As previously noted, LITRG is happy to assist in publicising these messages.

## **8 What level of parliamentary scrutiny do you think there should be for any future increases to the amount of Carer's Allowance Supplement?**

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<sup>2</sup> <https://www.litrg.org.uk/latest-news/submissions/200519-consultation-coronavirus-scotland-no-2-bill-carer%E2%80%99s-allowance>

<sup>3</sup> This is most likely to occur if they have started or stopped being an unpaid carer during the tax year and during another part of the year were in employment or self-employment.

<sup>4</sup> Carer's Allowance is counted in full as 'social security income' for tax credit purposes, whereas Carer's Allowance Supplement is disregarded as income for tax credits.

- 8.1 As noted in our response to an earlier question, we think that regulations subject to the affirmative procedure are a reasonable approach to take if there is a need to increase the amount of a Carer's Allowance Supplement going forward. Regulations subject to the affirmative procedure provide a balance between scrutiny and speed; in relation to simply amending the amount of a benefit, as in this case, this seems a sensible approach to take.

**9 Do you have any other views on the Bill?**

- 9.1 No comment.

LITRG  
2 August 2021