

LOW INCOMES TAX REFORM GROUP

Office for Disability Issues – Independent Living Strategy RESPONSE TO CONSULTATIVE DOCUMENT

1. Introduction

1.1. *About us*

- 1.1.1. 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.
- 1.1.2. 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.
- 1.1.3. Our interest in Independent Living was prompted by the dearth of information for recipients about the tax and other regulatory implications of direct payments, which can nonetheless be substantial for those who become employers by engaging a carer. We undertook a year's research into the tax treatment of direct payments under the Community Care Act 1996 and published a report of our findings in January 2008¹.
- 1.1.4. We have a continuing interest in independent living and the tax system, particularly with the ever-increasing personalisation of support through individual budgets and direct payments. We therefore welcome this opportunity to contribute to consultation [Question 6 only] on the Independent Living Strategy.

2. Consultation question 6

2.1. *Q6: We would welcome any other views on the Independent Living Strategy*

- 2.1.1. Our research showed that while many people are benefiting from being able to live independently and take more control over their lives there is a need for balance. There is a balance to be struck between the individual with locally provided services supported by local organisations, and the national requirements which provide a measure of uniformity for all service users, no matter where they live within the UK. This applies to tax-related matters, and particularly so for direct payments users who

¹ See - http://www.litrg.org.uk/uploadedfiles/document/1_490_080131_DP_Report_final.pdf
Independent living, the tax system and direct payments

become non-business micro employers, and consequently have to comply with a national tax system not open to local negotiations.

- 2.1.2. Developing more flexibility for the uses of money provided through individual budgets and direct payments is no doubt important for increasing take up and encouraging more people to remain in their own homes with the support of their choice. However, flexibility usually involves some level of further complexity and that complexity is likely to extend to tax-related matters.
- 2.1.3. Our research showed that many people involved with supporting independent living feel that direct payments policy has not been thought through on an end-to-end basis, particularly the impact of becoming an employer. If further flexibility is introduced about how individual budgets and direct payments can be spent, for example, if it involves 'informal payments' to a carer who is also a close relative, there are likely to be tax consequences for that carer.
- 2.1.4. HM Revenue and Customs (HMRC) must be involved at the earliest possible stage so that any tax-related (and employment and wage law) issues are addressed as an integral part of the development process. Independent living policy-making would improve enormously if solutions were developed as an integral part of the process rather than being tackled after the policy has been implemented. Barriers must be overcome and issues resolved to move this policy forward for all concerned.
- 2.1.5. Our research supports the view that direct payments users, particularly older people, benefit from locally provided support services which can offer them as little or as much help as they need with their tax-related responsibilities and so to remain independent in their own homes. But our research also identified that the quality of support differs widely across the UK. Therefore we welcome the prospect of further development of user-led organisations. Such organisations, perhaps through an overarching co-ordinator such as the National Centre for Independent Living (NCIL) would be able to work with HMRC to identify information needs and embed HMRC's role in supporting the government's independent living agenda so that HMRC are consulted as a matter of course. There needs to be a standardisation of best practice.
- 2.1.6. As individual budgets and direct payments policy develops, each new policy change should be 'tax proofed' to make sure that any tax-related issues are identified immediately and steps are taken to address the issues, including what information needs to reach users and support services alike. We would be happy to take a role in that regard, if thought appropriate.
- 2.1.7. Our report concluded that HMRC have not previously focused sufficiently on this section of its customer base. We suggested that they need to do so now as a matter of some urgency in the light of the potential for growth in the number of employers and people needing tax-related information when individual budgets are introduced nationally and direct payments usage increases.
- 2.1.8. Since the publication of our report, HMRC have undertaken some research into their relationship with direct payments users and have set up a Disabled Customers Consultation Group where tax-related issues and information needs can be aired and addressed. This forum might provide an opportunity for the Independent Living Strategy to become embedded in HMRC operations.

LITRG
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