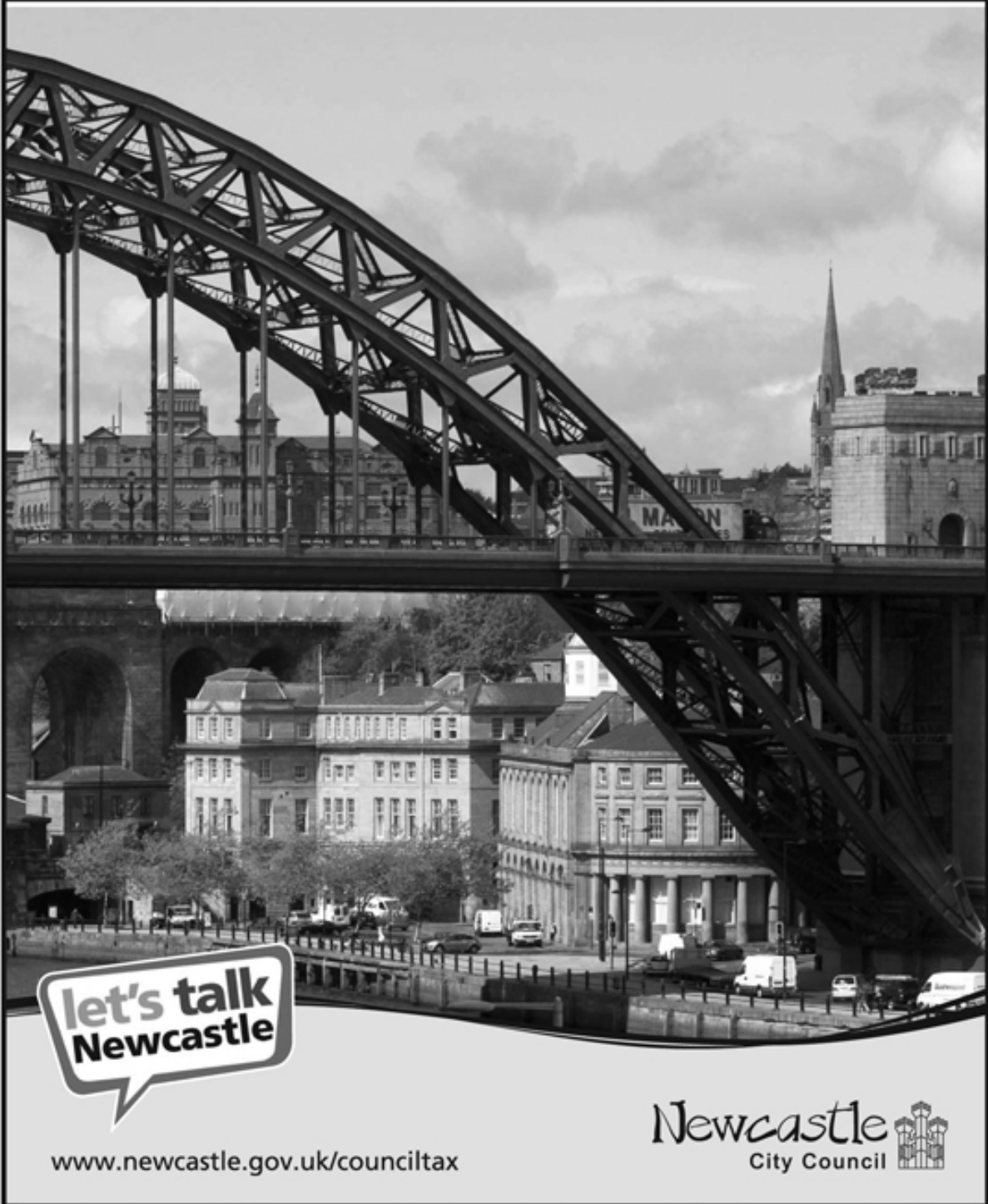


# Council Tax Reduction Scheme 2018

## Summary document



[www.newcastle.gov.uk/counciltax](http://www.newcastle.gov.uk/counciltax)

Newcastle  
City Council 

## Introduction

On 10 January 2018 City Council agreed to introduce an income-banded Council Tax Reduction scheme for working age people for 2018/19.

## Background

In April 2013, Government abolished Council Tax benefit, which helped low income households who would otherwise struggle to pay their Council Tax. Working age people who previously received benefit on 100% of their liability now pay something towards their Council Tax. We recognise this puts an additional burden on household finances for people on low incomes. Government reforms have also created a shortfall in our budget because the amount we are able to raise does not cover the full value of the income we received in the form of Council Tax benefit.

We are making changes to our Council Tax Reduction Scheme for 2018/19 and replacing the complex means test. Instead, our new scheme considers whether working age people should pay in the region of 10% to 75% of their Council Tax depending on their income and family circumstances and taken into account of funding cuts, Council Tax arrears, Universal Credit and the impact of wider welfare reform changes. As a minimum, all working age people will pay 10% of their Council Tax in 2018/19 before they are entitled to a reduction.

We are unable to change the way in which we award Council Tax Reduction to pension-aged people, as this has been prescribed by the Government.

## Key features of the Income-banded Council Tax Reduction Scheme

This is an **income-banded scheme** which will assess the maximum level of Council Tax Reduction based on the net income of the applicant and their partner if they have one, as well as any children.

Where the applicant (or their partner) is in receipt of one of the following passported benefits they will automatically be placed in the highest band of the scheme and only pay 10% of Council Tax:

- **Income Support**
- **Jobseeker's Allowance (income-based)**
- **Employment and Support Allowance (income-related);**

Under this scheme, as part of our ongoing commitment to support disabled people, we will continue to disregard **Disability Living Allowance, Personal Independence Payments, Armed Forces Independence Payments and War Disablement Benefits** for the income used in the assessment of Council Tax Reduction and we will also continue to disregard **Child Benefit and Child maintenance payments**.

Working-age households will receive a discount, **depending on their level of income**. This means we will look at your net income after disregarding the above mentioned benefits and decide what band your income falls into. You will be awarded a percentage level of Council Tax Reduction in line with the table below. We will allow extra income in each band for couples and those with children.

The income bands are set out as shown in the table below:

CTR Level	Passported	Single Income Band £	Couples' Income Band £	Family with 1 child £	Family with 2 or more children
Band A - 90%	Relevant Benefit	0.00 to 110.00	0.00 to 160.00	0.00 to 210.00	0.00 to 260.00
Band B - 85%	N/A	110.01 to 150.00	160.01 to 200.00	210.01 to 250.00	260.01 to 300.00
Band C - 50%	N/A	150.01 to 230.00	200.01 to 270.00	250.01 to 330.00	300.01 to 370.00
Band D - 25%	N/A	230.01 to 300.00	270.01 to 350.00	330.01 to 400.00	370.01 to 450.00

In summary:

- Working-age people will receive a % **discount of either 90%, 85%, 50% or 25%**, depending on the level of their income and the income band they fall into.
- Anyone with **savings of £6,000** or more will not qualify.
- Those receiving **Income Support, Jobseeker's Allowance (income-based) Employment and Support Allowance (income-related)** will automatically be placed into Band A (i.e. 90% reduction)
- Net earnings will be taken into account when calculating Council Tax Reduction.
- Application for Council Tax Reduction will be made online or through the notification of an award of Income Support, Jobseekers Allowance (income-based), Employment and Support Allowance (income-related) and Universal Credit.
- Income from **Disability Living Allowance, Personal Independence Payments, Armed Forces Independence Payments, Child Benefit, Child Maintenance, and War Disablement Benefits** will continue to be disregarded when calculating Council Tax Reduction.
- To support incentives to work, we will retain the earnings disregard of £7.50 for single people, £12.50 for couples and £27.50 for lone parents, this is the amount of earnings not taken into account.
- To support incentives to work for those working over 16 hours, we will retain a weekly childcare disregard which will be applied to earnings of up to £175.00 for one child and £300.00 for two or more. (A disregard is an amount of earnings not taken into account in the calculation of net earnings).
- **Universal Credit** - Where the Universal Credit payment is worked out based on wages, we still will take these wages into account after deducting the relevant earnings disregard. We will then add them to the Universal Credit payment to work out what band to use to calculate the Council Tax Reduction.
- Deductions taken from Universal Credit by the Department of Work and Pensions (DWP) will not be removed.
- The housing cost element of Universal Credit will be ignored.
- Applications from joint tenants will be assessed on their share of the liability.
- **Non-dependant deductions.** A flat rate charge of £2.50 per week will be applied for each non-dependant member of the household. (This is where you have someone else living in your home who is not dependent on you, and who may be able to contribute to your Council Tax).
- Backdating is limited to 6 months and assessed on whether there is good cause to do this.
- Payment of Council Tax Reduction would still only be made if it is over £1 per week.

## The advantages of this scheme are:

- Gives stability to those whose wages fluctuate each month. Working-age people with the lowest income will receive more Council Tax Reduction if their income falls into Band A.
- All non-dependents are asked to contribute the same amount. Some applicants may have to pay less.
- Moves away from the complex means test that currently exists.
- It is administratively simpler and will potentially make administrative savings.
- Less complex and easier for applicants to understand.

## The disadvantages of this scheme is:

- Where a working-age person has £6,000 or more in savings, no Council Tax Reduction will be payable.
- Non-dependant charges, by introducing a flat rate of £2.50 for all non-dependants some people may have to pay more.
- Some applicants with an income over £450.00 per week will no longer qualify for Council Tax Reduction and will be responsible for paying their full council tax liability.

**Pension-age** people are not affected by this change, and they will continue to have council tax reduction assessed in the same way through the government's Council Tax Reduction default scheme.

## Summary of the changes in the Council Tax Reduction Scheme

The table below shows the differences and similarities between the 2017-18 scheme and the 2018-19 Income-banded scheme.

	2017-18 scheme	Scheme from 1 April 2018
Type of scheme	Means tested scheme	Income banded scheme
Maximum support for those on lowest income	85%	90%
Capital limit	£16,000	£6,000
Non-dependant deductions	Between £0.00 and £11.55 based on level of income	A flat rate of £2.50 applied to all non-dependants
Income not taken into account (disregarded)	Disability Living Allowance, Personal Independence Payments, Armed Forces Independence Payments, Child Benefit, Child Maintenance, and War Disablement Benefits	Disability Living Allowance, Personal Independence Payments, Armed Forces Independence Payments, Child Benefit, Child Maintenance, and War Disablement Benefits

Amount of earnings not taken into account	£7.50 for single people, £12.50 for couples and £27.50 for lone parents	£7.50 for single people, £12.50 for couples and £27.50 for lone parents
Childcare disregard	Up to £175 for one child, up to £300 for two or more children	Up to £175 for one child, up to £300 for two or more children
Backdating	Up to 4 weeks	Up to 6 months
Universal Credit	Where the Universal Credit payment is worked out based on wages, we will take these wages into account after deducting the relevant earnings disregard.  Deductions taken from Universal Credit by the Department of Work and Pensions (DWP) will not be removed.  The housing cost element of Universal Credit will be ignored.	Where the Universal Credit payment is worked out based on wages, we will take these wages into account after deducting the relevant earnings disregard.  Deductions taken from Universal Credit by the Department of Work and Pensions (DWP) will not be removed.  The housing cost element of Universal Credit will be ignored.
Minimum Council Tax Reduction payable	£1.00	£1.00

### **People receiving Child Benefit and / or child maintenance**

Families will continue to have their Child Benefit and child maintenance disregarded when we work out the entitlement to Council Tax Reduction. This means we will ignore Child Benefit and child maintenance when we calculate your Council Tax Reduction.

### **People receiving Disability Living Allowance or Personal Independence Payments or Armed Forces Independence Payments**

Disability Living Allowance (for both the care and mobility components), Personal Independence Payments or Armed Forces Independence Payments will continue to be disregarded in full for all working-age applicants, partners and their children. This means we will ignore Disability Living Allowance, Personal Independence Payments or Armed Forces Independence Payments when we calculate your Council Tax Reduction.

### **People receiving War Pensions**

Applicants and their partners who receive War Disablement Pension, War Widow's Pension and War Widower's Pension will continue to have this income disregarded in full. This means we will ignore War Disablement Pension, War Widows Pension and War Widowers Pension when we calculate your Council Tax Reduction.

### **Non-dependants**

A non-dependant deduction is made from Council Tax Reduction when a person over the age of 18 lives in your household. We will apply a flat rate of £2.50 per week for each non-dependant in the household.

### **Supporting work incentives**

Our Council Tax Reduction scheme will provide incentives for people who are either moving into work or increasing their working hours to 16 hours or more. We will continue to do this by keeping the higher earnings disregard that we introduced in 2013 of £7.50 for single people, £12.50 for couples and £27.50 for lone parents, this is the amount of earnings not taken into account.

### **Backdating claims**

Claims for Council Tax Reduction will be backdated for up to six months, where a good cause is shown.

### **Maintaining a Discretionary Hardship Scheme**

The Council is minded that if the proposed changes were introduced it may lead to hardship for some residents and that there would be a need to protect the most vulnerable households through the discretionary hardship scheme.