**POLICY NOTE**

**THE COUNCIL TAX (DISCOUNTS) (SCOTLAND) AMENDMENT ORDER 2023**

**SSI 2023/25**

1. The above instrument is made in exercise of the powers conferred by section 113(1) and (2) and paragraphs 2(3) and 4(2) of schedule 1 of the Local Government Finance Act 1992. It is subject to the negative procedure.

**The purpose of this Order is to amend The Council Tax (Discounts) (Scotland) Consolidation and Amendment Order 2003.**

**The amendment:**
(i) narrows the circumstances in which a person with an award of Universal Credit is disregarded, when working out the entitlement of a household to the council tax single person discount, in accordance with paragraph 2 of schedule 1 of the Local Government Finance Act 1992.
(ii) aligns the earnings threshold used to establish whether an apprentice may be disregarded for council tax discount (in accordance with paragraph 4 of schedule 1 of the Local Government Finance Act 1992) with an existing income threshold used to establish entitlement of a household to the Second Adult Rebate of the Council Tax Reduction scheme.

**Policy Objectives**

2. This instrument amends the Council Tax (Discounts) (Scotland) Consolidation and Amendment Order 2003 ("the 2003 Order").

3. Article 4 of the 2003 Order, is amended so that where a claim of Universal Credit is used as a qualifying state benefit in the disregard of a person for council tax discount, that claim must include (a) the limited capability for work and work-related activity ("LCWRA") element (or, if it does not, would have but for regulation 27(4) or 29(4) of the Universal Credit Regulations 2013) or (b) have limited capability for work ("LCW") within the meaning of regulation 39 of the Universal Credit Regulations 2013.

4. This change ensures consistency of treatment for all eligible households, irrespective of whether the person in question is in receipt of historic disability benefits or Universal Credit which also ensures consistency with the original policy intention. It aligns this element of the council tax system with equivalent council tax provisions in England and Wales.

5. This change is subject to a provision protecting the entitlement of those currently eligible for this disregard, introduced as article 4(5) of the 2003 Order. The effect of this provision is that as of 31 March 2023, where a person is disregarded under paragraph 2(1) of schedule 1 of the Local Government Finance Act 1992 as a result of having an award of Universal Credit, the disregard will continue regardless of whether the person in question has the LCWRA or LCW element until either of the following occurs; there is a change in the person's entitlement to Universal Credit or there is a change in the amount of council tax payable in respect of the dwelling in which the person lives (other than that caused by a change in the appropriate council tax rate of the relevant local authority). At that point entitlement to disregard will be

considered against the effect of the change. If the person does not meet the LCWRA/LCW requirements, they will no longer be disregarded for council tax discount.

6. This protective provision implements an appropriate balance between (i) the immediate removal of this disregard upon the amending Order coming into force and (ii) the indefinite continuation of the disregard in households which rely solely on the Universal Credit without the LCWRA/LCW elements as a qualifying benefit for the disregard.

7. The definition of apprentice set out in Article 5 of the 2003 Order is amended so that the salary threshold of eligible apprentices is aligned with the lower income threshold used in the Second Adult Rebate of the Council Tax Reduction (CTR) scheme (as specified in Schedule 2, paragraph 1(b)(i) of the Council Tax Reduction (Scotland) Regulations 2021).

8. This change provides a consistency of approach in reducing the council tax liability of households with residents on a relatively low income through council tax status discount of apprentice households and relief afforded by the Second Adult Rebate of the Council Tax Reduction scheme. The effect of the amendment is to increase the earnings threshold of eligible apprentices and ensure a subsequent increase each time the corresponding threshold of the Second Adult Rebate of the Council Tax Reduction scheme is uprated.

**Consultation**

9. No formal consultation was required to be carried out in relation to these Regulations.

**Impact Assessments and Financial Effects**

10. This instrument retains the original policy intent of the amended provisions and therefore no specific impact assessments are necessary.

11. Inflationary uprating of the apprentice earning threshold may lead to limited increases in Council Tax Income foregone by local authorities.

Local Government and Communities
Scottish Government
30 January 2023