POLICY NOTE

THE COUNCIL TAX REDUCTION (MISCELLANEOUS AMENDMENT) (SCOTLAND) REGULATIONS 2025

SSI 2025/24

The above instrument is made in exercise of the powers conferred by sections 80 and 113(1) and (2) and paragraph 1 of schedule 2 of the Local Government Finance Act 1992. It is subject to the negative procedure.

The purpose of these Regulations is to amend:

- **The Council Tax Reduction (Scotland) Regulations 2021; and**
- **The Council Tax Reduction (State Pension Credit) (Scotland) Regulations 2012.**

The amendments will uprate the various allowances, premiums, and deductions for the purposes of calculating entitlement to a council tax reduction.

The amendments will clarify what is meant by an award of Universal Credit for the purposes of the Council Tax Reduction (Scotland) Regulations 2021.

The amendments will allow Working Tax Credit claimants who migrate from Tax Credits to Universal Credit a grace period of twelve months before any deferred retirement income is counted as notional income.

The amendments correct a minor error.

Policy Objectives

This instrument amends the Council Tax Reduction (Scotland) Regulations 2021 (the Working Age Regulations), the Council Tax Reduction (State Pension Credit) (Scotland) Regulations 2012 (the Pension Age Regulations).

Annual Uprating

When Council Tax Benefit (CTB) was abolished by the UK Government the Scottish Government introduced the Council Tax Reduction (CTR) scheme. CTR reduces a household's council tax liability by considering their circumstances, capital, and income. When CTR was introduced in 2013, the Scottish Government made a commitment that no one would be worse off under CTR than they would have been had CTB continued. These Regulations keep that policy objective by uprating various allowances and premiums on the same basis as has been taken in relation to Housing Benefit (as the existing benefit that most closely reflects the abolished CTB).

This instrument uprates the allowances and premiums in the CTR scheme when deciding what level of Council Tax reduction, a household should receive. The relevant figures have been uprated by 1.7%, the rate of Consumer Prices Index September 2024. The CTR scheme also has income thresholds that are used to decide the rate of non-dependent deductions (used to calculate how much an additional adult in the household might be expected to contribute towards Council Tax) based on their earnings. Income thresholds also apply to the second adult rebate, which is a relief available to households which have a low income but in relation to which entitlement to the council tax single person discount is precluded by the presence of the second adult. This instrument increases the non-dependent deduction and alternative maximum CTR amounts by 4.9% in both the Working Age Regulations and Pension Age Regulations.

When the Working Age Regulations were brought into force in April 2022, the policy intention was to ensure that those in receipt of Universal Credit would be eligible for 100% of their relevant childcare costs to be disregarded from any earned income in the calculation of CTR, whilst the whole of their Universal Credit childcare element would count as income in the calculation of CTR. From April 2025 the maximum childcare element in Universal Credit will increase to £1031.88 for one child and £1768.94 for two or more children. To maintain the policy intent, the maximum allowable childcare costs in CTR will increase to £280 for one child and £479 for two or more children for those who receive Universal Credit. This is necessary to ensure that no one in receipt of Universal Credit will have a reduction in their level of CTR, due to them receiving an increase in their Universal Credit childcare element.

In 2017, the Scottish Government increased the child premium in CTR by an additional 25% over and above that applied for Housing Benefit. This uplift has continued annually, resulting in a higher rate of child premium in CTR compared to that in Housing Benefit.

Award of Universal Credit

When the Working Age Regulations were brought into force in April 2022, the policy intention was to ensure that in instances where a Universal Credit claimant was receiving £0.00 in Universal Credit due to excess earnings in any Universal Credit assessment period their CTR calculation would be carried out as though the person did have an award of Universal Credit. This approach was taken to prevent the local authorities having to apply the regulations that apply to council tax reduction applicants with no Universal Credit award in these instances, given that the minimum amount payable is £0.01.

The treatment as though having an award of Universal Credit should be for so long as the Secretary of State treats the Universal Credit claimant as making a claim for Universal Credit on what would be the first day of each assessment period, had the award continued. This is done in reliance on regulation 32A(2) of the Universal Credit, Personal Independence Payment, Jobseeker's Allowance and Employment and Support Allowance (Claims and Payments) Regulations 2013 ("the 2013 Regulations").

To give effect to the policy intent, a new regulation 10A is inserted into the Working Age Regulations. This provides for an expansion of the circumstances in which the provisions applicable to a council tax reduction applicant with an award of Universal Credit will be taken to continue to apply - covering the scenario of a council tax reduction applicant who is a Universal Credit claimant falling within regulation 32A(2) of the 2013 Regulations, as well

as, as at present, the scenario of a claimant the amount of whose award is reduced to zero. A reduction to zero will take place because of a sanction, rather than because of excess earnings. A replacement definition of "award of universal credit" is substituted into regulation 4 to clarify that this means an award of Universal Credit made under Part 1 of the Welfare Reform Act 2012.

Following on this, regulation 34A is amended to make clear that, for as long as regulation 32A(2) of the 2013 Regulations applies, non-payment of Universal Credit due to excess earnings is not to be classed as a change of circumstances, in the form of cessation of entitlement to Universal Credit. (A Universal Credit claimant who is subject to a sanction will still be classed as having entitlement to Universal Credit, hence they will not, as the Working Age Regulations already stand, be regarded as having a change of circumstances for the purposes of regulation 34A. For that reason, no change to regulation 34A is needed in relation to claimants whose awards are reduced to zero).

Notional Income

These Regulations also amend the Council Tax Reduction (Scotland) Regulations 2021 so that Working Tax Credit claimants who migrate from Tax Credits to Universal Credit have a grace period of twelve months before any retirement pension income is counted as notional income. The deferred retirement income will not be treated as notional unearned income whilst regulation 60B of the Universal Credit (Transitional Provisions) Regulations 2014 applies.

Minor Correction

These Regulations correct a minor error in paragraph 4D(a) of schedule 1 (applicable amount). Rather than refer to "the care component of adult disability payment" this should refer to "the daily living component of adult disability payment".

EU Alignment Consideration

This instrument is not relevant to the Scottish Government's policy to maintain alignment with the EU.

UN Convention on the Rights of the Child (Incorporation) (Scotland) Act 2024 Compatibility

The Scottish Ministers have made the following statement regarding children's rights.

In accordance with section 23(2) of the United Nations Convention on the Rights of the Child (Incorporation) (Scotland) Act 2024, the Scottish Ministers certify that, in their view, the Council Tax Reduction (Miscellaneous Amendment) (Scotland) Regulations 2025 is compatible with the UNCRC requirements as defined by section 1(2) of the Act.

Consultation

No formal consultation was to be conducted in relation to these Regulations.

Impact Assessments and Financial Effects

A Child Rights and Wellbeing Impact Assessment is provided with this instrument. No other Impact Assessments have been undertaken.

The Cabinet Secretary for Public Finance and Local Government confirms that no Business Regulatory Impact Assessment is necessary as the instrument has no financial effects on the Scottish Government, local government or on business.

Local Government and Communities
Scottish Government
30 January 2025