# REPORT TO: POLICY AND RESOURCES COMMITTEE - 9 JUNE 2003

# REPORT ON: IMPACT OF NEW WORKING TAX CREDIT ON COUNCIL GRANTS AND CONCESSIONS

REPORT BY: DIRECTOR OF FINANCE

**REPORT NO: 414-2003** 

# 1 PURPOSE OF REPORT

1.1 This report details the changes in eligibility criteria required due to the introduction of the Working Tax Credit.

# 2 **RECOMMENDATIONS**

2.1 It is recommended that the eligibility criteria for School Clothing Grants, free Music Tuition fees and the Leisure Concession Scheme are amended to include people in receipt of new Working Tax Credit (up to a gross income limit of £13,230 per annum).

## 3 FINANCIAL IMPLICATIONS

3.1 Although it is not possible to accurately predict the impact of this amendment, it is not anticipated that there will be any increase in costs to the Council.

# 4 LOCAL AGENDA 21 IMPLICATIONS

4.1 There are no direct Local Agenda 21 implications arising from this report.

## 5 EQUAL OPPORTUNITIES IMPLICATIONS

5.1 The introduction of the Working Tax Credits will have a positive impact in terms of addressing social inclusion.

## 6 BACKGROUND

- 6.1 Following the introduction of the Working Families Tax Credit and the Disabled Persons Tax Credit in October 1999, the Policy and Resources Committee agreed to extend the eligibility for school clothing grants and charge concessions to include people in receipt of these credits.
- 6.2 The Working Tax Credit is being introduced from 6 April 2003 and this will replace the Working Families Tax Credit and the Disabled Persons Tax Credit. The new tax credits will entitle qualifying families to full help with health costs.
- 6.3 Currently the Inland Revenue issue a tax credit exemption certificate as evidence of entitlement to help with health costs. From 6 April 2003, the Prescription Pricing Authority (PPA), on receipt of information forwarded monthly from the Inland Revenue about qualifying families, will issue Tax exemption Certificates. The PPA will not be able to send out certificates until they receive the information from the Inland Revenue and, as it is estimated that one million people will qualify, some families will have to wait for their certificate.
- 6.4 The Department of Health has agreed that Working Families Tax Credit exemption certificates that expire on 7 April 2003 can be used up to 31 July 2003 as a temporary measure to enable the new certificates to be issued.

6.5 The changes to the tax credit system will also impact on the free school lunch entitlement arrangements and the Scottish Executive have issued guidelines in April 2003 to enable councils to maintain the status quo in terms of levels of entitlement. The proposed arrangements set an annual gross income criterion of £13,230 for families in receipt of Child Tax Credits but not Working Tax Credit.

# 7 **PROPOSALS**

- 7.1 In light of the above, it is proposed that the eligibility criteria for school clothing grants, free music tuition fees and the Leisure Concession Scheme is extended to include people in receipt of the new Working Tax Credit.
- 7.2 It is also proposed that a gross income limit of £13,230 per annum is applied against all of the criteria.
- 7.3 The qualifying criteria would therefore be as follows:

Income Support Job Seekers Allowance (Income Based) Support under Part VI of the Immigration and Asylum Act 1999 Housing Benefit or Council Tax Benefit Working Families Tax Credit/Disabled Persons Tax Credit (with exemption certificate HC2 up to 31 July) or Working Tax Credit (with exemption certificate PPA)

All of the above subject to a maximum annual gross income of £13,230.

# 11 CONSULTATION

11.1 The Chief Executive and Directors of Support Services, Education, Social Work and Leisure and Arts have been consulted in the preparation of this report.

In view of the timescales involved this report was approved by the Director of Finance in consultation with the Convener and Opposition Spokespersons.

Signed	David K Dorward	Date	29 May 2003
	Director of Finance		
Signed	Fiona Grant Convener	Date	30 May 2003
Signed	Willie Sawers Spokesperson SNP Group	Date	30 May 2003
Signed	Bruce Mackie Spokesperson Conservative Group	Date	30 May 2003