



## Evidence to the Commission on Local Tax Reform The National Carer Organisations

In this submission we have aimed to provide evidence on how the current taxation system impacts on carers and we have highlighted what issues need to be considered in relation to both carers and the people they care for when looking at options for reforming the tax system.

In doing so, we have set out the principles that need to be embedded in any new system, rather than recommending a specific model of taxation.

At this point we have not consulted with carers on local tax reform. This is therefore an area that we feel requires further consideration.

### The Financial Impact of Caring

There are many and diverse caring communities and carers are represented in all strata of society.

However, research shows that caring can have a marked impact on a person's finances.

- It can affect a person's ability to work, as well as their employment opportunities and career paths.
- There are often additional costs associated with caring, such as travel costs where the carer does not live with the person they care for.
- Where the carer does live with the person they care for, there is often additional disability related expenditure, such as higher fuel costs.

Furthermore Carers Allowance is the lowest means tested benefit at £62.10 a week

Research shows that:

- Carers face **77%** higher utility bills and **67%** higher transport costs<sup>1</sup>
- A third of carers are **in debt**
- 22% of carers have paid for home adaptations due to disability
- 19% were unable to afford their rent or mortgage payments
- 53% of carers said money worries were taking a toll on their health

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<sup>1</sup> All statistics are from **Caring and family finances inquiry**, Carers UK, 2014



In addition, since the economic downturn carers and the people they care for have been disproportionately affected by welfare reform and additional charges for social care services.

Yet the care provided by family carers is valued at over £10 billion a year in Scotland.<sup>2</sup> Any reform of the tax system needs to take account of the contribution made to our economy by unpaid carers, as well as the economic impact of both caring and disability on people's finances and ability to pay taxes.

Many other countries recognise carers through the tax system. For example Canada has a system of tax credits for specific groups, including tax credits for family carers.

### **What could a reform of the tax system achieve for carers?**

We believe that a reform of the tax system should seek to do two things to support carers and the people they care for

1. There needs to be a fairer distribution than the current tax system. People on lower incomes should contribute proportionally less to the tax system than they are currently doing and more account should be taken of factors such as disability related expenditure which push households into poverty
2. Social care requires additional investment – its funding base needs strengthened. At present, many services are inadequate and crisis driven. There is also an over-reliance on charging individuals to offset the cost of social care which places an unfair burden on disabled people and their carers and on people with lower incomes.

We believe that the funding base for social care needs strengthened through new taxes, or substantial changes to tax rates related to funding social care. This new system needs to be fair, progressive and re-distributive

We believe this money should be ringfenced and generated solely for public expenditure on social care with an appropriate label attached to the new tax rate, such as 'care levy'. This would ensure transparency and allow government to use appropriate levers to adjust income generation to varying social care need over future years.

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<sup>2</sup> *Valuing Carers*, Carers UK and University of Leeds, 2011



Such systems already operate successfully in other European countries with broad public support. France, Germany, Japan, Netherlands, Korea and Sweden all have a system of statutory Long Term Care Insurance. This is paid for by a mix of general taxation, employer/employee contributions and pensioner contributions.

For example, Germany has a system of long-term care insurance which is compulsory. This is paid for through income tax with the rates being set by the government. This insurance provides benefits to people with disabilities and can be taken as a service or a cash payment. This can also be used to employ family members to provide care.

### Principles behind a fairer system

- Based on the ability to pay
- Fair distribution, ensuring those on higher incomes pay the same proportionally as those on lower incomes
- Recognition that income is not the same as disposable income
- Transparency – both in terms of being clear about what people will be charged, but also clear about what their taxes will be used for
- Involvement of citizens in decisions about how resources are used locally
- Ensuring the law does not accommodate tax avoidance by companies or individuals.

### The Current System – How it works for carers

- Since the current Council Tax system is based on property value rather than income, this disadvantages many carers who may be asset rich and cash poor. One in Five carers give up employment to care when faced with a crisis or because they are unable to access adequate support. Many more seek part time or flexible working and find that this can limit their earning potential.
- Furthermore Council Tax is an unfair tax. The ratio of 3 to 1 between the highest and lowest band bears no relation to the spread of wealth, meaning people on lower incomes pay proportionally more than those on higher incomes.
- Where carer face difficulty with meeting the cost of council tax, It may be difficult for them to move or downsize. They may have built up a network of support locally, or their house may be adapted to suit the needs of the person they care for. If they have services in place to support them, there is no portability of care if they move out of their local authority
- The carer exemption is limited, as it does not apply to those caring for a partner or a child under 18 and is not well advertised, so most carers don't know about it.



- Similarly the Special Reductions Scheme is overly restrictive. For example, in reality most people will adapt their current bathroom and kitchen rather than adding an additional one.

These reductions and exemptions are welcomed but could be improved. If council tax is to be reformed, we would recommend reviewing the qualifying conditions for both the carers exemption and the Special Reductions Scheme and also providing a tax reduction scheme to take account of disability related expenditure, such as higher fuel costs.

### Options for tax reform and the potential impact for carers

We have not consulted with carers on the subject of tax reform and therefore cannot endorse one system over another, but from carer responses to their perception of the unfair and discriminatory nature of taxation over many years we are confident that a system of local income tax (contributions relating to the ability to pay) would be considered fairer by the overwhelming majority.

As carers are not a homogenous group whatever system is adopted will see winners and losers. However, we have outlined the options we are aware of and have tried to indicate the potential impact on carers. More work is required to form a fuller picture

There appear to be four broad options for tax reform:

- Continuing with a tax system based on property prices
- Basing taxation on land value, rather than property price
- Moving to an income based taxation system
- Using a combination of both income and property based taxation.

Across all of these options the following considerations should be made in relation to carers:

- Carers are often asset rich and cash poor. Any new system should at the very least retain current tax exemptions and reduction schemes for carers and disabled people and preferably should reform and extend them.
- Income is not the same as disposable income, particularly for disabled people and carers who face significantly higher bills in other areas. Any tax system should take into account disability related expenditure
- Basing taxation on land value would place a particular burden on those in areas where land value is particularly high (Edinburgh, Aberdeen) Yet carers in these areas will not necessarily have a higher income or greater ability to pay. Similarly those in



rural or semi-rural areas may live on a larger plot size, but have a property of lower value. (ie. a larger garden) Under LVT they could end up paying much higher tax. .

### In Conclusion

There needs to be greater connectivity between government's ambitions and progressive policies and ensuring local authorities have the resources to enable their successful implementation

We recommend that the commission considers introducing a specific care levy to increase funding for social care and that it investigates similar schemes operating in other European countries

### About The National Carer Organisations

The National Carer Organisations are brought together by a shared vision that all Scotland's unpaid carers will be valued, included and supported as equal partners in the provision of care and will be able to enjoy a life outside of caring.

They are Carers Scotland, the Coalition of Carers in Scotland, Minority Ethnic Carers of Older People Project (MECOPP), Carers Trust Scotland, the Scottish Young Carers Services Alliance, Crossroads Caring Scotland and Shared Care Scotland.

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