Scotland update: call for evidence on social security and in-work poverty; and meetings with Scottish Government

General Features

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The LITRG responded to a call for evidence on social security and in-work poverty issued by the Social Security Committee of the Scottish Parliament. Representatives of CIOT, LITRG and ATT also met with Scottish Government.

Call for evidence on social security and in-work poverty

LITRG responded to a call for evidence on social security and in-work poverty issued by the Social Security Committee of the Scottish Parliament. We noted that our interests in this context lie in self-employment, use of Real Time Information (RTI) for Pay As You Earn (PAYE) data, wider interactions with the tax system and the digital aspects of the system, along with the transition of legacy benefit claimants to universal credit (UC).

We drew the Committee's attention to our concern that the structure of UC creates particular problems for the self-employed, and that if major changes are not made there is a risk that those who are already self-employed will be forced to give up their businesses in order to access adequate state support. We also pointed out that the structure of UC may deter people from starting self-employment, in part because of the Minimum Income Floor (MIF), which, in our view, fails to strike the right balance between protecting public funds on the one hand and supporting self-employed businesses on the other. We also described the problems that the MIF causes for those with fluctuating earnings patterns.

The Committee had requested information about the experience of UC in full-service areas in Scotland. While we were unable to offer evidence specific to Scotland, we provided details of a number of issues with UC, which apply generally throughout the UK.

By way of example, we pointed out that the online application process for UC is in itself too long and appears to carry weaknesses; difficulties arise due to the inability of claimants to fully complete the application in one sitting and confusion as to whether and how they can save a partially completed application (particularly when they are accessing the claim system from a public computer), fulfilling the online identity verification, obtaining access to a JobcentrePlus office and facing the need to wait for a code. There have also been payment delays and errors in payment calculations.

We also mentioned issues that arise in the interaction of the UC system with RTI for PAYE, for example, the fact that RTI data does not include details about unreimbursed expenses, but these are allowable deductions for UC. This, coupled with a lack of guidance for claimants means that claims may be determined incorrectly.

In terms of mitigating detrimental effects, we considered passported benefits, pointing out that a coherent passporting strategy across Scotland, and indeed across the UK, would be welcome. Currently there are a number of passported benefits linked to UC that have different thresholds and in some cases the same benefits with different thresholds in each part of the UK. This creates a complex landscape which is difficult to understand for claimants and those who seek to advise them. We also noted the need for better guidance in relation to passported benefits, as there is currently no single, comprehensive source of information for Scottish claimants of UC.

We also considered the effect of UC payments being made in arrears on UC claimants with childcare costs to pay. Costs for childcare are often charged in advance and this can cause acute difficulties for the UC claimant waiting for their UC payments. In this regard, we noted the work Scottish Government is carrying out in relation to developing a flexible and high-quality Early Learning and Childcare (ELC) system, including an increase in free entitlement to ELC.

The LITRG submission can be found on the LITRG website.

Meetings with Scottish Government

Representatives of CIOT and LITRG had an introductory meeting with Kate Forbes MSP, along with representatives from ICAS and the Law Society of Scotland. Ms Forbes has recently been appointed the Minister for Public Finance and the Digital Economy, in a role supporting Derek Mackay MSP, the Cabinet Secretary for Finance, Economy and Fair Work. Her remit includes responsibility for fiscal policy and taxation.

LITRG met with representatives from the fiscal unit of the Scottish Government to explain more about its work and ways in which LITRG may be able to assist the Scottish Government. We explained the background of the group and the main ways in which it aims to help those who are least able to pay for advice, both by helping to improve their understanding of the tax and related benefits systems and by working to make those systems more equitable and accessible. We discussed the four different websites provided by LITRG and also the Scottish Government's websites. The discussion also covered LITRG's activity in relation to Scottish tax and social security, for example with Revenue Scotland on their charter, on the Scottish Rate of Income Tax and Scottish Income Tax and on Carer's Allowance Supplement.

Representatives of CIOT, ATT and LITRG, together with ICAS, met with officials from the Scottish Government to discuss current tax issues in Scotland, as part of our regular series of quarterly meetings. Topics of discussion included Land and Buildings Transaction Tax, Scottish income tax and VAT assignment.