LITRG respond to ‘Shaping future support: the health and disability green paper’

Employment Tax | General Features

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There is an ever-growing focus on getting more disabled people in work. LITRG highlights a number of areas in the tax and related benefits system that could act as barriers to work.

In July, the government published a green paper on health and disability (see tinyurl.com/2zhb9d55). LITRG’s response to the paper makes recommendations on where we think rules and practice could be changed to improve incentives, reduce burdens and thus contribute to the government’s overall objective.

We framed our comments and suggestions under four questions below, posed in the green paper.

What more information, advice or signposting is needed and how should this be provided?

Here, our response highlights that some disabled people use funds from the Department for Work and Pensions Access to Work scheme to hire a support worker. This means they might become an employer, something which is not well understood by users of the scheme or those administering it. Meanwhile, HMRC provide little tailored information on the tax considerations that arise when a grant is used to fund a support worker. The current approach is leaving disabled people in a potentially difficult position, which may ultimately undermine the scheme.

How can we better support young disabled people and people with health conditions who are moving out of education to find appropriate work?

In response to this question, we raised the perhaps comparable recent announcement of a national insurance ‘holiday’ for veterans and the possibility of the tax system being used in a similar way to encourage employers to create job opportunities for disabled people.

Universal credit has many features, such as the work allowance and taper, that aim to make it easier for people to move into work. How can we ensure that disabled people and people with health conditions are aware of these features, and encourage people to try out work on universal credit?

Here, we set out some considerations as to areas for improvement. In general, there are some glitches and mismatches in the design of the system, which mean that the system is not working as well as it should, including for disabled people.

More specifically, some of the Universal Credit system relies on the discretion of work coaches, which means that outcomes can be uncertain and inconsistent for disabled people. We say it is vital to ensure that appropriate training and guidance is given to staff implementing any such discretionary aspects of the rules.

While continuing to focus financial support on people who need it most, how could we more effectively support disabled people with their extra costs and to live independently?

In response to this question, we say that changes to employment expenses relief and other changes to tax rules could help to influence behaviour in this area. One such example we give is that where you have a sympathetic employer, certain costs that are met for you to assist you to work (such as the provision of a taxi into work) will not be classed as a taxable benefit and are therefore tax-free. However, you cannot claim relief if you meet such costs personally.

Conclusion

Overall, we suggest that the Department for Work and Pensions should actively work together with other areas of government, such as HMRC, to bring about these small, but important changes. Stepping back and considering the system as a whole will lead to better coordinated policymaking in this area.

As an aside, more disabled people will come into contact with HMRC if they are helped into employment. On a day to day operational basis, we have ongoing concerns that people who have additional needs may not be adequately catered for by HMRC and we will continue to make representations to HMRC, to this end, via the appropriate channels.

The full response can be found here: www.litrg.org.uk/ref2560