Homes for Ukrainians: tax implications: LITRG briefing

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On 14 March 2022, the government announced the Homes for Ukraine sponsorship scheme. LITRG have published an article explaining how participating in the scheme might affect lower income taxpayers.

Under the Homes for Ukraine scheme, sponsors hosting refugees of the conflict in Ukraine will receive £350 as a monthly 'thank you' payment. These payments will be administered by Local Authorities and will be paid on a per property basis, and so will be unaffected by the number of refugees hosted at a single residential address.

When announcing the Homes for Ukraine scheme, the government confirmed that the £350 payments made to sponsors would be tax-free and would not affect means-tested benefits or council tax status. Over the past few weeks, further information has been provided about these interactions.

As regards the tax position, the Financial Secretary to the Treasury, Lucy Frazer, released a statement (tinyurl.com/yc6ceyz3) confirming that the government intends to legislate within Finance Bill 2022-23 such that any payments made under the Homes for Ukraine scheme will be exempt from income tax and corporation tax, and this will be with retrospective effect from the date of the first payment. The statement further confirms that the payments will not be chargeable to National Insurance contributions and will be disregarded as income in the calculation of tax credits. The disregard for tax credits purposes was confirmed by SI 2022/346. Our understanding is that the payments will not be counted as income, and will be disregarded as capital for 12 months, for the purposes of calculating universal credit.

The position for council tax is slightly more complicated and details published by the House of Commons library can be found at tinyurl.com/2p9yrtap. The council tax regulations were amended by SI 2022/439 and came into force on 12 April 2022. The amended regulations ensure that households do not lose out on council tax discounts if they participate in the Homes for Ukraine scheme. However, for those in receipt of reductions to council tax under local council tax support schemes the position is less certain. Billing authorities are not able to simply disregard the £350 thank you payments when assessing income levels. However, the government is encouraging local authorities to give discounts on a discretionary basis and has taken steps to ensure that the local authorities will not have to make a payment to the council tax collection fund if discretionary discounts are provided.

The LITRG article can be found at: tinyurl.com/yckpxyjk.

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