Care Leaver Payment: Scotland

General Features



19 February 2024

LITRG have submitted a response to the Scottish government consultation on the development and delivery of the Care Leaver Payment.

As part of its response to the Independent Care Review in 2020, the Scottish government committed to develop a payment to provide young people moving on from care with additional financial security. The proposed Care Leaver Payment aims to fulfil this commitment. It will form part of a broader package of support for care leavers in Scotland. The intention is that the Care Leaver Payment will provide a one-off payment to care leavers moving on from care and into adulthood and more independent living.

The Scottish government published a consultation (tinyurl.com/5n7ke6v6) in November 2023 to gather views on the proposed Care Leaver Payment. The consultation considered eligibility criteria, application processes and the amount of the payment. These are questions of policy on which LITRG did not comment. The LITRG response focused on tax and benefits considerations in the development and delivery of the Care Leaver Payment.

We noted that the Scottish government needs to consider how the payment should be treated for tax purposes. While not advocating a particular policy approach, given the stated intention for the payment and the Scottish government's view of care leavers as potentially disadvantaged, we wondered if consideration should be given to making the Care Leaver Payment exempt from income tax and disregarding it in the calculation of benefits payments. As such, we went on to look at the practical considerations of the payment being taxable and of it being exempt.

Beyond this, we set out some key issues the Scottish government needs to explore if the payment is to be treated as taxable income; for example, the need to consider the categorisation of the payment under legislation. We also considered the practicalities of collecting tax on the payment. If tax is to be deducted at source, this could result in care leavers overpaying tax and needing to claim a repayment. Care leavers will need clear guidance and support to ensure they are aware of the process for claiming a tax repayment and to actually make the claim. We stressed the importance of the Scottish government and HMRC working closely to ensure good operational processes, as well as communications for recipients.

For benefits purposes, we discussed the implications of the payment being taken into account when calculating entitlements. We noted that the Scottish government must work closely with the Department for Work and Pensions to ensure that any legislative amendments are made, so that the payment fulfils the policy intent.

We also called on the Scottish government to ensure that it incorporates learning, not only from its own experiences of introducing other new support payments in Scotland, but also from the experiences of colleagues in the Welsh government, in relation to their basic income for care leavers pilot (acknowledging that in some cases, these experiences relate to regular instalments rather than one-off payments).

The full LITRG response is available here: www.litrg.org.uk/10839

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