

UK poor hit by double tax whammy

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One year ago, the Conservative-Liberal Democrat coalition government in Britain initiated Council Tax Support (CTS) and the Under Occupancy Charge, or “bedroom tax”. These measures have had a devastating impact on the poorest sections of society.

Council tax is the local tax paid by people living in England, Scotland and Wales that partly finances local government services. The amount paid is based on the nominal value of the home a person occupies. Values are divided into eight bands, with those in band A paying the lowest and those in band H paying the highest. Band D is deemed the average value band.

Until April 2013, people on low incomes—whether from wages or benefits—could apply for means-tested Council Tax Benefit (CTB). This was funded by the central government, which determined the amount of benefit and eligibility conditions, but administered by local government. In April 2013, Council Tax Benefit was replaced by CTS.

Local authorities were given the responsibility of determining eligibility for claimants to CTS, with each local authority deciding how the pot of money should be allocated. However, the central government cut the amount of money allocated to them by £500 million, with a token £100 million “transitional grant” in the first year farcically presented as a means of protecting the hardest hit.

The withdrawal of this safety net will hit some of the poorest families. A joint investigation by the *Guardian* newspaper and the campaigning organisation False Economy surveyed all Local Authorities in England to determine the effect. It showed that 670,000 of the poorest households throughout England will face an average £120 council tax increase.

The investigation found that 83 councils will withdraw the protection previously offered to the most vulnerable people. Of these 83 councils, 50 had relied on the transitional grant to offer some financial relief to

their poorest residents.

The *Guardian* of March 31 gave examples:

“In King’s Lynn and West Norfolk, the poorest 7,000 people who have [previously] paid no council tax could face bills of more than £300. In [Prime Minister] David Cameron’s backyard, West Oxfordshire...the poorest 2,500, who had previously paid nothing...must now find £120 a year.”

A spokesman for False Economy explained: “The transitional grant was never more than a cynical sticking plaster to be ripped off after a year and now we see the effect of its removal.”

The Joseph Rowntree Foundation released a report on April 1 backing up the findings of the *Guardian*/ False Economy report.

It noted: “The overall levels of CTS available will be lower in 2014/15 than 2013/14. Only 45 councils (out of 326) will continue to provide the levels of support available under CTB, 13 fewer than last year. Two hundred and forty-four councils now require all households to pay at least some council tax regardless of income (a minimum payment), 15 more than last year.”

It also noted that an increase in bailiff and arrears referrals for nonpayment of council tax followed the move to CTS.

The report detailed the impact on low-income families in the new council tax year 2014/15, with more than 2.3 million families facing an increase this year of £149, on average, over what they paid under the old CTB system. For nearly 1.7 million families, the cut in support will be the same as for 2013/14. Some 70,000 families will see their support cut for the first time this year, and will be expected, on average, to pay £114 a year. For a further almost 600,000 families, this will be the second year running they have faced council tax increases, paying on average an increase of £97 last year and £151 this year.

Under the Localism Act 2011, introduced by the coalition government, any council wanting to increase the general rate of council tax by more than 2 percent must hold a referendum of their local constituents. This does not apply to families claiming CTS, so the most needy are facing the highest council tax rises. This year, nearly 600,000 families will face an average council tax rise of 55 percent.

Emily Holzhausen from the charity Carers UK told Channel 4 TV news: “We’re seeing carers who were already struggling being left unable to afford their rent and household bills as a result of cuts to benefits and the loss of support to pay council tax bills.”

The government introduced the Under Occupancy Charge, better known as the bedroom tax, in April 2013. It stipulates that anyone living in a local authority or housing association property and claiming Housing Benefit to help pay the rent faces a 14 percent cut if he or she lives in a property deemed to have one spare bedroom and 25 percent if the property is deemed to have two or more spare bedrooms.

The government claimed the purpose of the charge was to tackle underoccupancy by forcing people facing a loss of benefit to move to smaller properties.

The reality is that many families have to bear the cut in benefit because there is a shortage of smaller properties to which they can move. Many disabled claimants who have been penalised use their supposedly spare bedrooms to store necessary equipment, or the bedroom is used by one member of a couple whose partner is disabled and needs to have his or her own bedroom.

Once again, the government claimed that finance it provided—Discretionary Housing Payments (DHPs)—would relieve the hardship experienced by those who had their housing benefit cut.

This was exposed by an April 5 study by the *Independent* newspaper, which showed that many councils had run out of the emergency funds to pay DHPs and many applicants had been turned down. The newspaper obtained figures from 311 local authorities under freedom of information requests.

According to the article, “One in five councils rejected more than 40 percent of applications for DHPs in the past year. Demand for DHPs across the country has soared by more than 300 percent within months of the introduction of the bedroom tax.” The *Independent*

found that 47 councils had spent more than 90 percent of their budget by February, a third of which had refused DHP payments to a third of applicants.

Chaminda Jayanetti from False Economy explained: “The government tries to pretend that discretionary housing payments stop anyone being driven to destitution by benefit cuts. These figures show that, in reality, the money does not go far enough... DHPs are a sticking plaster that neither sticks nor covers the wound.”



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