

Open Agenda

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No: 23/2021

Memorandum for Executive Council

SUBJECT **Exempting Better Life Allowance Payments from Income Tax**

Memorandum by the Financial Secretary

- ADVICE SOUGHT** 1. **Council is asked to advise whether payments of the Better Life Allowance should be exempt from income tax.**
- BACKGROUND & CONSIDERATIONS**
2. The Better Life Allowance (BLA) was introduced in 2015 to replace the old disability allowance and was designed to cover additional costs that disability can often incur.
 3. Individuals on the disability register are independently assessed on their disability and graded against a set of criteria in accordance with the BLA Policy.
 4. The following allowances are paid weekly depending on the severity of the disability:
 - a. Low, £11.53
 - b. Moderate, £15
 - c. High, £35
 - d. Severe, £60
 5. As the BLA is designed to help meet the additional costs of people who have a disability and therefore give them a 'better life', the BLA is excluded from the calculation to determine Household Income Level under the Social Security Ordinance and Regulations and therefore not part of the overall Income Related Benefits payment. BLA is paid over and above these payments. The BLA is not, however, exempt from income tax.
 6. Most BLA recipients do not have enough other income to exceed the income tax threshold of £7,000. However, for 11 individuals, combined income from other sources means that the BLA is subject to tax.
 7. As the taxation of BLA is counter to the principle highlighted above, it is proposed that BLA payments be exempted from income tax and the draft Income Tax (Amendment) Regulations is attached at Annex A to reflect this.

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FINANCIAL IMPLICATIONS

8. The exact revenue collected on BLA payments will vary each year based on the number of recipients, their level of disability and other sources of income. In the financial year 2020/21 SHG expects to collect £2,700 in income tax revenue on BLA payments.
9. The financial implications of this change are expected to be minimal and the primary rationale for making this change is the principle that BLA should not be subject to tax.

ECONOMIC IMPLICATIONS

10. This change will increase the disposable income of those earning above £7,000, allowing them to purchase more goods and services, or save.

CONSISTENCY WITH INVESTMENT POLICY PRINCIPLES

11. N/A

PUBLIC/SOCIAL IMPACT

12. This change is consistent with the tax policy principle that tax rules should be fair and equitable. SHG supports laws that are fair and can be applied equitably and believe that members of the community pay taxes according to their capacity to pay.
13. The BLA is intended to assist individuals who have a disability with the additional costs associated with their disability. Exempting BLA from income tax will have a positive social impact for these individuals by ensuring the whole allowance is available for the intended purpose.

ENVIRONMENTAL IMPACT

14. N/A

PREVIOUS CONSULTATION/ COMMITTEE INPUT

15. This proposal was discussed in the Tax and Revenue Working group at the November 2020 meeting and has been discussed and endorsed by the Finance Committee at the March 2021 meeting.

PUBLIC REACTION

16. The public is likely to be supportive of these changes.

PUBLICITY

17. Executive Council's decision will be covered in the media briefing following the meeting. If the changes are approved, separate publicity via a press release is also recommended to explain this change.

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SUPPORT TO STRATEGIC OBJECTIVES

18. The proposed changes support the following National Goals:
Altogether Healthier
Altogether Wealthier

LINK TO SUSTAINABLE ECONOMIC DEVELOPMENT GOALS

19. N/A.

IMPLEMENTATION OF POLICY/ LEGISLATION

20. This proposed change will require a revision to the existing Income Tax Regulations 2012.
21. The Income Tax Office will implement the changes if agreed. BLA payments are processed centrally by the central finance team and the change will be applied from the effective date.

OPEN/CLOSED AGENDA ITEM

22. This item is recommended for the Open Session.

DLR

Central Support
Service

3rd May 2021

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