



HM Revenue
& Customs

Tax treatment of supplementary welfare payments: Northern Ireland

Who is likely to be affected?

Individuals in Northern Ireland who receive supplementary payments topping up social security benefits.

General description of the measure

This measure allows regulations to be made that exempt from income tax supplementary ('top up') payments to currently tax exempt social security benefits. This will be funded by the Northern Ireland Executive (NIE). It also allows regulations to confirm that supplementary payments to taxable social security benefits paid by the NIE are liable to income tax.

Policy objective

This measure ensures fairness within the tax system by establishing that supplementary payments paid to claimants by the NIE are treated in accordance with the tax treatment of the social security benefit they are topping up.

Background to the measure

Budget 2016 announced that the government will legislate to exempt from income tax supplementary payments, funded by the NIE, to social security benefits that are currently exempt from income tax.

As part of an agreement to implement welfare reform equivalent to that in the rest of the United Kingdom, the NIE agreed to provide 'transitional protection' to claimants if their income is reduced below that received before welfare reform was introduced. This will be in the form of supplementary payments which will, for a transitional period, top up claimants' benefits to the level of income they were receiving prior to welfare reform. Funding will come from existing NIE budgets.

Detailed proposal

Operative date

This measure will apply to payments made on or after 6 April 2016.

Current law

Section 656 of the Income Tax (Earnings and Pensions) Act 2003 (ITEPA) sets out the charge to tax on social security benefits and Section 657 defines social security income.

Table A in section 660 of ITEPA includes a list of taxable UK social security benefits, while table B in section 677 of ITEPA includes a list of UK social security benefits that are wholly exempt from income tax.

Proposed revisions

Legislation will be introduced in Finance Bill 2016 to give HM Treasury the power to make regulations which retrospectively make the Northern Ireland supplementary payments either exempt from income tax, if they top up an exempt benefit, or to confirm the taxable status of those supplementary payments that top up taxable benefits. This power will apply to supplementary payments made on or after 6 April 2016.

Summary of impacts

Exchequer impact (£m)

2016 -17	2017 - 2018	2018 - 2019	2019 - 2020	2020 - 2021	2021 - 2022
nil	nil	nil	nil	nil	nil

This measure is not expected to have an Exchequer Impact as the payments are being made out of the Northern Ireland block grant, which the Office for Budget Responsibility has already included in its forecast.

Economic impact

This measure is not expected to have any significant economic impacts.

Impact on individuals, households and families

This measure is not expected to have any negative impact on individuals, households or families. It ensures fair and consistent treatment of supplementary payments within the tax system, and ensures that supplementary payments to tax-exempt benefits are received tax-free.

The measure is also not expected to have any negative impact on family formation, stability or breakdown.

Equalities impacts

This measure is not expected to have a negative impact on individuals with protected characteristics, such as those who are disabled.

This measure confirms that individuals' tax liability will not change in comparison with their liability prior to reform. The supplementary payments made to individuals affected by the welfare reform within Northern Ireland will top up benefits to the amount they received prior to reform and they will be subject to the same tax status as the social security benefits they top up.

Impact on business including civil society organisations

This measure is expected to have no impact on businesses and civil society organisations.

Operational impact (£m) (HMRC or other)

The cost to HMRC of implementing this measure is expected to be negligible.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

This measure will be kept under review in the context of other relevant tax and benefit changes.

Further advice

If you have any questions about this change, please email:
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