

Proposal for Improvements in the Assessment of Means for Carer's Allowance

Only one in 5 of Ireland's 375,000¹ carers receive Carer's Allowance due to the strict eligibility criteria attached to the payment. Given that 110,000 carers were eligible for the Carer Support Grant in 2018, it is reasonable to assume that some 30,000² full-time carers don't qualify for Carer's Allowance due to the means test. This paper sets out a number of proposals which, if adopted, would help make the Carer's Allowance more accessible for genuine, fulltime family carers who exceed the current income threshold despite living on relatively modest incomes. This paper should be considered alongside Family Carers Ireland's proposal to increase the ceiling carers are allowed work/study from 15 to 18.5 hours.

Proposal #1: Increase the income disregard for Carer's Allowance from €332.50 to €400 (single) and from €665 to €900 (couple)

Despite increasing steadily during the period 2000 to 2008, the income disregard for Carer's Allowance has remained stagnant for the last 11 years, meaning government has failed to achieve the commitment set out in *Towards 2016* to expand the income disregard for Carer's Allowance so that those on average industrial incomes can qualify (p.55). Average gross industrial earnings in Quarter 2 2018 were €751³ while the income disregard for Carer's Allowance is €332.50 (single)/€665 (couple).

Carer's Allowance Income Disregard 2000 - 2018

Budget	2000	2001	2002	2003	2004	2005	2006	2006	2007	2008	2008/2018
Income Disregard											
Single	€95	€158	€191	€210	€250	€270	€270	€290	€320	€332.50	No change
Couple	€190	€317	€382	€420	€500	€540	€540	€580	€640	€665	
Increase	+ 350%										0%

The failure to ensure that the income disregard kept pace with average earnings is compounded by the fact that the current rate of Carer's Allowance of €219 (pending €5 increase in March 2019) is €1.50 less than it was in 2009, despite a 6.2 percent increase in the Consumer Price Index (CPI) during this period. This means that the equalised value of Carer's Allowance at the rate paid in 2009 of €220.50 is worth €234 in 2018.

Proposal #2: Extend the deductions allowable and assess income on its net rather than gross value

Because the assessment of means is applied to gross rather than net income and does not take into account mortgage repayments, dependent children, college fees, Fair Deal contributions, medical costs etc, the assessment does not reflect the reality faced by many caring families, who may appear financially comfortable based on their gross income, but are struggling to make ends meet when living expenses and the cost of meeting the care needs of their loved one(s) are deducted. In many cases a carer is forced to give up their employment in order to provide the care required by their loved one, leaving the household with only one income or no income if the carer is single.

The deductions allowed under the Carer's Allowance scheme are limited to a €332.50/€665 weekly income disregard, PRSI, union dues, superannuation (pension contributions) and travel expenses⁴, and do not reflect the actual income going into the household. To this end, Family Carers Ireland argue that the means test should be applied on net rather than gross income similar to the assessment applied to Carers Benefit, where the €332.50 a carer is allowed to earn is based on net income after income

¹ CSO's Irish Health Survey 2015 identified 10% of the sample population stated they were carers. 375,000 is 10% of the Irish population aged over 15 years.

² 110,000 recipients of the Carer Support Grant less the 77,000 carers in receipt of Carer's Allowance.

³ CSO data February 2019.

⁴ Applied at a standard rate of €15 but can be increased depending on distance from work.

tax, Universal Social Charge, PRSI, superannuation, pension levy, union dues, subscriptions to Friendly Societies and any health insurance contract premium are deducted.

By comparison the financial assessment for an Under 70s Medical Card allows for a host of deductions including mortgage repayments, childcare costs, home insurance, nursing home costs, education expenses, travel and parking costs. The scheme also gives an allowance ranging from €38 to €78 for each dependent child living in the household and older children attending third level. In addition certain HSE, DEASP and education grants are also disregarded.

Comparison of Disregards for Carer's Allowance and the U70 Medical Card

Carer's Allowance Means Test		Medical Card
Disregarded	Not Disregarded	Disregards
€665 couple / €332.50 single Social protection payments PRSI Union Dues Superannuation/Pension Contributions €15 allowance for travel to work	Universal Social Charge Income Tax Medical costs Mortgage/loan repayments Education costs Savings/Investments/2nd property (excess €20k) Fair Deal contributions	Allowance of between €38-€78 pw for each dependent child. Childcare costs Rent/mortgage payments Mortgage-related insurance Fire and contents insurance Mortgage protection insurance Life assurance. Maintenance payments Nursing home costs Work travel costs - public transport or mileage at a rate 18c per km. Where a couple need two cars a double allowance applies. Cost of parking. Specified HSE, DEASP payments and Education Grants.

Proposal #3: Increase the €20,000 disregard to €50,000 in the Capital Formula

The formula for assessing means from capital (savings, shares and property) for Carer's Allowance should be increased in line with the Disability Allowance, where the first €50,000 of capital is disregarded rather than €20,000 currently allowed for Carer's Allowance applicants, reflecting the desire of carers to provide for their loved ones after their death.

Capital Formula

Carer's Allowance		Disability Allowance	
Capital	Weekly means	Capital	Weekly means
First €20,000	Nil	First €50,000	Nil
Next €10,000	€1 per €1,000	Next €10,000	€1 per €1,000
Next €10,000	€2 per €1,000	Next €10,000	€2 per €1,000
Balance (over €40K)	€4 per €1,000	Balance (over €70K)	€4 per €1,000

Proposal #4: Make Carer's Allowance exempt from tax

Carer's Allowance is taxable and carers with another source of income or whose spouse/partner is working is likely to have to pay tax on the payment. The taxation of Carer's Allowance gives rise to a number of practical issues, not least of which is the failure of many carers to understand their responsibility inform Revenue of their receipt of Carer's Allowance and the subsequent tax liability that may ensue. It is also makes little practical sense that some social welfare payments are exempt

from tax, for example Jobseekers Allowance or Disability Allowance, while Carer's Allowance for which carers must provide fulltime care, are subject to tax.

Family Carers Ireland understand that the Department are currently reviewing the taxation of social welfare payments and urge that consideration be given to making Carer's Allowance exempt from tax in line with other welfare payments and in recognition of the significant contribution made by carers to the state.

Taxable and Tax Except Social Welfare Payments

NOT Taxable	Taxable
Jobseeker's Allowance	Carer's Allowance
Jobseeker's Benefit	Carer's Benefit
Jobseeker's Transitional payment	Adoptive Benefit
Pre-Retirement Allowance	Blind Pension
Supplementary Welfare Allowance	Death Benefit Pension
Back to Work Family Dividend	Deserted Wife's Benefit
Child Benefit	Deserted Wife's Allowance
Back to School Clothing and Footwear Allow.	Disablement Pension
Carer's Support Grant	Health and Safety Benefit
Constant Attendance Allowance	Illness Benefit
Disability Allowance	Invalidity Pension
Disablement Gratuity	Incapacity Supplement
Domiciliary Care Allowance	Injury Benefit
Farm Assist	Jobseeker's Benefit (first €13 excluded)
Working Family Payment	Maternity Benefit
Fuel Allowance	One-Parent Family Payment
Guardian's Payment (Contributory)	Partial Capacity Benefit
Guardian's Payment (Non-Contributory)	Paternity Benefit
Household Benefits Package	Short-Term Enterprise Allowance (€13excluded)
Telephone Support Allowance	State Pension (Contributory/ Non Contributory)
Widowed or Surviving Civil Partner Grant	Widow's, Widower's or Surviving Civil Partner's (Contributory/ Non Contributory) Pension

Reality of the Carer's Allowance Means Test

The following real-life examples illustrate how families on relatively modest incomes are excluded from Carer's Allowance due to the current means test and Capital Formula.

Example 1: Family of six – four young children aged between 4 and 11 years. One of the children has a profound disability and is a wheelchair user. Dad gave up work in 2014 to provide fulltime care. He received Carers Benefit from 2014 – 2016. He now qualifies for a reduced Carer's Allowance of just €19 due to his wife's income, who earns a gross salary of €56,000. They have no savings.

Weekly income (Gross):	€1,166	
Less PRSI:	€46.50	
Less Pension:	€35	
Less Travel:	<u>€15</u>	
Assessable income:		€1,069.50
Less income disregard:		<u>€665</u>
		€404.50 / 2 (moiety) = €202.25 assessable means

Carer's Allowance entitlement of €19 per week.

Example 2: Family of three, two children aged 5 and 7 years, one has a disability. Mum parents alone and works part-time 15 hours a week for which she earns €225 and receives maintenance from the children’s father of €100 per week. They live in rented accommodation which costs €250 p.w. Mum recently received €70,000 from the sale of the home she shared with her ex-partner.

Weekly income (Gross):	€225	
Plus maintenance:	<u>€100</u>	€335
Less PRSI:	€9	
Less Pension:	€0	
Less Travel:	<u>€15</u>	
Weekly income:		€311
<u>Capital on €60,0000</u>		
€0-€20,000 = disregarded		
€20,000 - €30,000 = €1 in every €1000 = €10		
€30,000 - €40,000 = €2 in every €1000 = €20		
€40,000 - €70,000 = €4 in every €1000 = <u>€120</u>		<u>€150</u>
		€461
Less income disregard:		<u>€332.50</u>
		€128.5 assessable means

Carer’s Allowance entitlement of €91.50 p.w

Example 3: Family of four - two children aged 18 and 20 years. The 20 year old has a profound physical and intellectual disability and is visually impaired. Mum had to give up work in 2001 to care for her son. Dad works and earns a basic salary of €62,507 per year. Their monthly mortgage repayment is €400. Their younger son is hoping to go to college in September but isn’t eligible for a student grant. The stair lift used by their son to get up the stairs has recently broken and will cost €6000 to replace. They are not eligible for the Mobility Grant Aid scheme due to their income. They have no savings.

Weekly income (Gross):	€1,551	
Less PRSI:	€47	
Less Pension:	€65	
Less Travel:	<u>€15</u>	
Assessable income:		€1,424
Less income disregard:		<u>€665</u>
		€759 / 2 (moiety) = €379.50 assessable means

No entitlement to Carer’s Allowance

Example 4: Family of five - all three teenage children have a disability. Mum had to take a career break in 2007 to provide fulltime care to her children and has not been able to return. Dad continues to work and earns €89,500 gross per year (net €55,476). There is some 10 years left on their mortgage which costs €1,300 per month, however they have recently received a quote for €180,000 to adapt their home to meet the complex care needs of their children. Because of their income they are not eligible for a Housing Adaptation Grant and will have to increase the mortgage.

Weekly income (Gross):	€1,894	
Less PRSI:	€76	
Less Pension:	€42	
Less Travel:	<u>€15</u>	
Assessable income:		€1,761
Less income disregard:		<u>€665</u>
		€1,096 / 2 (moiety) = €548 assessable means

No entitlement to Carer’s Allowance