

Tolerance Illustrative Scenarios

Introduction

The following scenarios are designed to show how the introduction of income tolerances would affect applicants' entitlement to Council Tax Reduction (CTR) in practice, when compared to the current scheme.

Please note the figures in the following scenarios are presented for illustrative purposes only, because the benefit rates, allowances and Council Tax charge are not yet known.

Household scenarios

Scenario 1

Sarah is a single person over 25, working variable hours on a zero hours contract. She receives Universal Credit (UC). She has a 25% single adult discount on her Council Tax. Her monthly earnings fluctuate up and down depending on the hours she works but the changes in her earnings and UC income wouldn't increase or decrease her CTR entitlement by more than £13 per month (£3 per week). Her earnings decrease on 25 April 2026 and increase on 25 May 2026.

Based on her changes in circumstances, Sarah would receive the following CTR under the current and proposed schemes:

Monthly income period for UC	Monthly Council Tax Charge	CTR award per month under current scheme	CTR award per month under tolerance scheme
20 March 2026 to 19 April 2026	£125.61	£5.46	£5.46
20 April 2026 to 19 May 2026	£125.61	£11.79	£5.46
20 May 2026 to 19 June 2026	£125.61	£0.22	£5.46

Under the proposed income tolerance scheme, Sarah's CTR would not change because her CTR entitlement fluctuates within the £13 per month (£3 per week) tolerance.

Scenario 2

Hamza and Samira are a couple. Hamza is self-employed. Samira is an unpaid carer. They receive Universal Credit.

Hamza is required to submit his self-employed earnings figures for Universal Credit assessment every month. Due to the nature of his self-employment, his earnings fluctuate on a monthly basis. Hamza has earnings increases in 2 successive months on 1 June 2026 and 1 July 2026.

Based on these changes in circumstances, Hamza and Samira would receive the following CTR under the current and proposed schemes:

Monthly income period for UC	Monthly Council Tax Charge	CTR award per month under current scheme	CTR award per month under tolerance scheme
7 April 2026 to 6 May 2026	£167.47	£102.35	£102.35
7 May 2026 to 6 June 2026	£167.47	£93.68	£102.35
7 June 2026 to 6 July 2026	£167.47	£82.33	£82.33

Under the proposed income tolerance scheme, the income change on 1 June 2026 is ignored during the UC income period 7 May 2026 to 6 June 2026 because it is less than £13 difference in CTR entitlement per month (£3 per week), but the income change of 1st July 2026 is implemented in the UC income period 7 June 2026 to 6 July 2026 because, though less than £13 per month (£3 per week) entitlement increase on the previous month, the 2 income increases **combined** would decrease CTR entitlement by more than £13 per month (£3 per week).

Scenario 3

John is a single person, over 25, not working and in receipt of Universal Credit. He secures seasonal employment as a retail assistant for 12 hours per week from 10 November 2026.

Based on his change in circumstances, John would receive the following CTR under the current and proposed schemes:

Monthly income period for UC	Monthly Council Tax Charge	CTR award per month under current scheme	CTR award per month under tolerance scheme
2 October 2026 to 2 November 2026	£125.61	£125.61	£125.61
3 November 2026 to 2 December 2026	£125.61	£68.47	£68.47

Under the proposed income tolerance scheme, his income change still takes effect during the UC income period 3 November 2026 to 2 December 2026 because it decreases his entitlement to CTR by more than £13 per month (£3 per week).