

# Council Tax Attachment of Earnings Orders

## Questions and Answers

### 1. What is a Council Tax Attachment of Earnings Order?

If someone has not paid their Council Tax, the local authority can apply to a Magistrates' Court for a Liability Order against them. If a court grants a Liability Order an authority has a number of options for recovering the outstanding amount. One of these is an attachment of earnings order.

The order itself is in a form prescribed in regulations. It contains the name of the debtor, their payroll number (if known) and the local authority reference. It confirms that the named person is liable to pay the Council Tax and gives the amount that has to still be paid. You must make deductions in line with the order as soon as possible after you receive it.

### 2. What does this order mean to me?

This order is a legal document and places certain duties on you, so it is important that you know the rules. Details of your legal duties are given as the answer to question 13.

If you employ the person named in the order, you must make deductions from his or her earnings as explained below. These deductions should begin as soon as possible after you receive the order. You must then send us the amount deducted by the 18<sup>th</sup> day of the month following the month in which you made the deduction.

Each time you make a deduction you may also deduct £1 from your employee towards your administrative costs. With every deduction you make, you must supply your employee with a written statement showing the total amount deducted so far, including your administrative costs. This can normally be done when a pay statement is issued, or, if this is not convenient, as soon as possible after the deduction is made.

If the employee has moved on, or has never been employed by you, you must tell us within 14 days. **If you do not, you could be fined by the court.**

### 3. How long does this order last?

You should make deductions each pay day until:

- The total amount given on the order has been paid over to us; or
- The person has left your employment; or
- We tell you to stop making deductions

When the employee leaves your employment and you have told us, you do not have to do anything more. The local authority will have to serve a copy of the order on the new employer, and this will tell them how much remains to be deducted.

#### **4. How much should be deducted?**

The amount to be deducted depends on the total net earnings received by the employee. For this order, 'net earnings' means earnings after the deduction of income tax, employee's class 1 national Insurance contributions, superannuation contributions and any deduction with a higher priority. Annex B includes tables which show the percentage to be deducted according to the amount of net earnings and the pay period. Question 10 tells you what to do if the employee is due to holiday pay.

#### **5. What are earnings?**

Earnings are defined as:

- Sums payable by way of wages or salary (including any fees, bonus, commission, overtime pay or any other emoluments payable in addition to wages or salary payable under a contract of service)

Earnings do not include:

- Sums payable by public departments of the Government of Northern Ireland or a territory outside the United Kingdom;
- Pay and allowances of members of the armed forces
- Benefit or allowances payable under social security law (this includes maternity pay);
- Allowances payable in respect of disablement or disability; and
- Wages payable to a person as a seaman, other than as a seaman of a fishing boat

#### **6. What are 'net earnings'?**

Net earnings are defined in regulation 32 as the amount payable after deduction of income tax, National Insurance, superannuation payments and amounts deducted under any Community Charge attachment of earnings order made before the Council Tax attachment of earnings order is made.

#### **7. Are youth training allowances counted as earnings?**

No.

## **8. How do I use these tables?**

Use Table A if the employee is paid weekly, Table B if the employee is paid monthly, and Table C if they are paid daily.

Look in column 1 to find the earnings band that applies to the employee. Then read across to column 2 to find the percentage of their earnings that you should deduct. Work out the amount, and make the deduction.

## **9. How do I know which table to use?**

Since most people are paid at regular intervals this should be straightforward sometimes, but there will be cases which are not straightforward. The examples below will help you decide the correct deduction to make.

### ***Weekly***

If the person is paid weekly then use Table A.

### ***Monthly***

If the person is made monthly then use Table B

### ***Other weekly intervals (for example: every 3 weeks, every 5 weeks)***

If the person is paid at intervals made up of a whole number of weeks then divide the net earnings for the period by the number of weeks in the pay period. Use Table A to work out the weekly deduction. Multiply this amount by the number of weeks in the pay period. This gives you the amount to deduct.

### ***More than one month (for example; every 2 months, every 6 months)***

If a person is paid at intervals made up of a whole number of months, then divide the net earnings for the period by the number of months in the pay period. Use Table B to work out the monthly deduction. Multiply this amount by the number of months in the pay period.. This gives you the amount to deduct.

### ***Regular Intervals – not whole weeks or months***

If a person is paid a regular intervals, but not at intervals made up of a whole number of weeks or months then count up the number of days in the pay period. Divide the net earnings in the period by the number of days. Then use Table C to work out the daily rate. Multiply this by the number of days in the period, and this gives you the amount to deduct.

### ***Two or more series of payments at regular intervals***

If the person is paid in two or more series and payments are made at regular intervals, select the series with the shortest interval between payments. Then use the tables described above. Also, deduct 20% of the net earnings payable in every other series.

If the person is paid in two or more series and all the intervals are the same length, then select one of these, and make deductions as described above.

Then you must also deduct 20% of the net earnings payable in every other series.

### **Example**

An employee's net pay is £150 every week and they also receive a net payment of £200 every month. Use Table A, which tells you to deduct 5% of the weekly pay. This comes to £7.50. You also need to deduct 20% of the £200 monthly payment. This comes to £40. Add the two figures together, giving you a total deduction of £47.50.

### **What if someone is paid at irregular intervals?**

If the person is paid at irregular intervals, count the number of days since the last payment. Divide the net earnings for the period by the number of days. Use Table C to work out the daily deductions, and multiply this by the number of days in the period. This gives you the amount to deduct.

### **Examples**

An employee's net pay for three distinct pay periods is:

- A        £108 (from 1 April to 9 April – 9 days)
- B        £120 (from 10 April to 19 April – 10 days)
- C        £231 (from 20 April to 30 April – 11 days)

The deductions you would make each time would be:

- A        Work out the daily pay:  $108/9 = £12$ . Use Table C to work out the daily deduction:  $£12 \times 3\% = £0.36$ . Multiply this by the number of days in the period:  $9 \times £0.36 = £3.24$  to deduct.
- B        Work out the daily pay:  $120/10 = £12$ . Use Table C to work out the daily deduction:  $£12 \times 3\% = £0.36$ . Multiply this by the number of days in the period:  $10 \times £0.36 = £3.60$  to deduct.
- C        Work out the daily pay:  $231/11 = £21$ . Use Table C to work out the daily deduction:  $£21 \times 5\% = £1.05$ . Multiply this by the number of days in the period:  $11 \times £1.05 = £11.55$  to deduct.

### **A mixture of regular and irregular intervals**

If, on the same pay day, the person is to be paid regular period earnings and irregular period earnings, add these amounts together. Treat the whole amount as earnings payable at the regular interval. Then use the appropriate table for the period.

### **Example**

An employee receives £250 as normal net weekly pay. They also receive £350 every 15 days for a different task. On 'normal' pay days you would simply use Table A, and deduct 12% of £250 (£30). However, on pay days when both amounts were due you would add the amounts together (£250+£350). Use Table A to work out the deduction for net weekly earnings of £600. The deduction rate for £600 is 17% of the first £505, plus 50% of the rest: that is, £85.85 + £47.50 = £133.35.

### **10. What do I deduct if there is an advance for holiday pay?**

You need to treat the amounts paid separately (that is normal pay and holiday pay) and work out:

- A the amount that would have been deducted on pay day if there had been no advance of pay
- B the amounts that would have been deducted if the amount advanced had been paid on pay day or pay days it would normally have been paid on.

### **Example**

An employee received £800 net pay on the pay day. This is made up of £300 for the week in which the pay day falls; and £500 for 2 weeks holiday advance, which is two weeks standard pay at £250 per week. Use Table A to work out what you would have deducted from the 'normal' net payment of £300: (12% of £300 = £36.00). Then use Table A to work out what you would have deducted from each of the weekly payments of £250: (12% of £250 x 2 = £60). This gives you a total deduction of: £36 + £60 = £96.

### **11. How should I deal with loans made for other reasons?**

Loans made, for example, to buy travel season ticket or for helping with moving house are not advances of pay and should not be counted as earnings.

The repayments on such loans do affect deductions. How this works depends on the date that the Council Tax attachment of earnings order was made.

- If the CTAEAO was made **before 1 April 1995**, the net earnings figure you use should be reduced by the amount of the repayment; and
- If the CTAEAO was made **on or after 1 April 1995**, the deduction should be based on net earnings **before** any loan repayment.

### **12. What do I do if there is an attachment of earnings order already in force?**

We can send you more information on how to deal with multiple orders. Please ring us if you have any questions. The following examples will, however, cover most situations.

- A If there is already a CTAE0 in place, the new CTAE0 is applied. Make the deduction as normal, based on what is left of the employee's net earnings **after** you have made the deduction for the first CTAE0.

However, if there are already two or more CTAE0s in payment, then do not make any more deductions and tell the local authority that sent you the last STAE0 what the situation is.

- B If there is already a community charge AEO (CCAEO) in place then the new CTAE0 is applied. Make the deductions as normal based on the employee's net earnings **after** you have made the deduction for the CCAEO.

However, please note that a **single** CTAE0 should still be actioned however many CCAEOs, or other non-Council Tax orders are already in force.

- C Any 1971 Act non-priority orders are to be applied (in the order they were issued) after all other orders have applied.

### **13. The Legal duties placed on employers**

A CTAE0 is a legal document and places certain duties on employers and debtors. A summary of these legal duties is below.

An employer could be fined if he or she:

- A does not keep to the order, and cannot prove all reasonable steps were taken to keep to it;
- B does not pass on all the information that is relevant to the CTAE0;
- C in giving information makes a statement which he or she knows to be false or recklessly make a statement which is false.

### **14. The Legal duties placed on debtors**

Debtors could be fined for:

- A failing to give information, without a reasonable excuse;
- B making a statement which they know to be false.