



Institute of Money Advisers Annual Conference & AGM 2017



Built to last: quality and sustainability in money advice



Universal Credit and the self-employed

Jeff Brown

AdviceWorks

Jeff.brown@adviceworks.com



Self-employed

- 4.8m registered as self-employed
- 15% of workforce
- 50% earn less than £13,000 pa (Resolution Foundation)
- NIC class 2 to be abolished April 2018
(payable if net profit above £5,965 pa) saving £145.60 pa



Main Features

- Integrated in and out of work benefit for those under Pension Credit age replacing most means-tested benefits, so claims should stop/ start less frequently.
- Combines means-tested support for adults, children and housing costs in one benefit.
- Allowances for adults, additional amounts for children, child disability, **LCW**, LCWRA, caring and housing costs
- Bigger earnings disregards and **63%** taper rate if earnings above applicable disregard amount
- More (personalised) conditionality and sanctions
- Administered by DWP. Assessed and paid monthly. RTI



Benefits UC replaces

- IBJSA
- IRESA
- Income Support
- Housing Benefit
- Tax Credits

Note HB remains for those over Pension Credit qualifying age and those in supported accommodation



Timetable (new claimants)

- **2013/ 2014** – Introduced in 10 local authority areas in E,S&W and then rolled out across the whole of North West England. **Singles and couples including with children.**
- **February 2015 – April 2016** – National expansion, in 4 tranches to all jobcentres. **Single claimants with no children only**

But very restrictive gateway conditions

- **May 2016 – September 2018 – Full Service Transition**
Rollout schedule (Phase 1 was **May to July 2016**)



Timetable

(existing legacy benefit claimants)

Managed migration – Remaining existing legacy benefit claimants will be migrated to UC between July 2019 and March 2022.

Expected to be 7.7m claimants.



Transitional protection

- Only applies to DWP managed migration **not** to natural migration
- Transitional additions will make up any shortfall
- Gradually eroded with inflation
- Will end if there's a break in claim or on specified changes of circumstances, for example, your partner leaves, or you/ your partner cease work
- Rules not yet finalised



How much?

- **Step 1** – Capital upper limit rule
- **Step 2** – Calculate maximum amount (Standard allowance, elements, housing costs)
- **Step 3** – Deduct any unearned income in full, **then**
Deduct **63%** of any net earnings above the applicable work allowance
 - Housing costs included in Step 2 = Lower WA
 - Housing costs **not** included in Step 2 = Higher WA
- **Step 4** - Apply benefits cap



Maximum amount

- Standard allowances for singles/ couples
- Child elements – higher for first reflecting CTC family element **(from April 2017 – not if eldest child born on or after 06/04/17)**
- Disabled child elements – high or low reflecting CTC disabled child/ severely disabled child element
- Childcare costs as WTC (i.e. 85% of up to a max figure) but extended to parents working less than 16 hours pw
- LCW/ LCWRA additions **(no LCW for new claims from April 2017)**
- Carer element
- Housing costs – rent, mortgage interest, service charges



Self-employed income

- Reported monthly (an online tool)
- Actual income receipts for the AP less – allowable expenses, tax, NI and pension contributions paid

If this amount is below “minimum income floor” (normally NMW/ NLW for your age x 35h pw) you are treated as earning this minimum income floor amount.

Exceptions (No MIF):

- During start-up period (12 months from beginning of S/E)
- If you do not have to meet all work-related requirements (e.g. You have a child **under 3**)
- DWP deem you not to be in gainful self-employment



The four conditionality groups

- All work-related requirements including work preparation, search and availability (jobseekers)
- Work prep and work-focussed interviews (LCW and **parent with child aged 2**).
- WFIs requirement only (**parent with child aged 1**)
- No work-related requirements (e.g. LCWRA, carer, **parent with child under 1**, over Pension Credit age or earning above your individual earnings threshold)

Note – Conditionality groups are individually based:
“personalised conditionality”



MIF

- Jake, 28 & single has been running a window cleaning business for 3 years
- Current Assessment Period – Income £300
- $MIF = 35 \times £7.50 \times 52 \div 12 = £1,137.50$
Less notional tax & NICs 89.35
£1,048.18
- So for this AP his earnings are deemed to be £1,048.18
- He's been MIFFED!



Fluctuating income

- Sarah is 38 and a self-employed delivery driver with regular net profit around £1,200 pm
- April – van insurance due at £900 (£960 if she pays mthly)
- Pay lump sum April net profit would be £300 (£1,200 - £900)
- DWP would deem net profit to be £1,048.18.
- She would be MIFFED!
- Pay instalments mthly profit would be £1,120 (£1200 - £80)
- She wouldn't be MIFFED!



What changed in April 2017?

- 2 child limit
- Abolition of first child premium
- Abolition of Limited Capability for Work element
- No help with housing costs for 18 – 21 year olds
- Earnings taper now 63%
- Benefit cap lowered
- Conditionality tightened



New Benefit Cap

Total amount in benefits including UC:

Outside Greater London:

£1,666 pm - couple (with or without children) & lone parents

£1,116 pm – single no children

Within Greater London:

£1,916 pm – couple (with or without children) & lone parents

£1,284 pm – single no children

Look out for:

- Exemptions
- Post work grace period



Universal Credit and the self-employed

Questions?