



# THE BENEFIT SYSTEM

A SIMPLE GUIDE TO THE CURRENT  
BENEFIT SYSTEM AND  
UNIVERSAL CREDIT



# INTRODUCTION

Policy in Practice was founded to support people towards independence by making the welfare system simple for people and organisations to understand.

The benefit system is complicated, with different government departments administering a range of different benefits, each of which have their own rules. Our software simplifies understanding of the benefits system. It models a comprehensive range of government policies from across four different departments, and is automatically updated on an ongoing basis. It is accurate across over one million real live cases.

## WHO SHOULD READ THIS EBOOK?

This ebook is an accessible guide for those who want a simple summary of each main working-age benefit and the related eligibility rules. The benefit system is undergoing a major change with the introduction of Universal Credit and other reforms impacting eligibility and entitlement.

If you're an advisor who needs to give a comprehensive assessment of eligibility and benefit guidance, please contact us to ask about licensing our Benefit and Budgeting Calculator for your organisation.

## GOOD TO KNOW

The main benefits are:

1. Jobseeker's Allowance (JSA)
2. Income support
3. Employment and support allowance (ESA)
4. Housing Benefit
5. Child tax credit and Working tax credit
6. Council tax support

Benefits 1-5 are now no longer available for new claims (with some exceptions). All of these have been replaced by Universal Credit and those currently in receipt of these benefits will be moved to Universal Credit by December 2023.

## UNIVERSAL CREDIT ROADMAP



# JOBSEEKER'S ALLOWANCE

## OVERVIEW

Jobseekers Allowance (JSA) is a benefit paid by the Department for Work and Pensions to people who are not in full time work and who are expected to seek work. JSA can be divided into two types; contribution-based JSA and income-based JSA.

Income-based JSA has now been replaced by Universal Credit and is no longer available as a new claim. The exception is where those who receive certain disability benefits and qualify for the Severe Disability Premium (SDP) move from other benefits. The Severe Disability Premium is an additional amount payable to those with disability and who have nobody to care for them. Those currently in receipt of income-based JSA will still receive the benefit until they have a change of circumstance that causes a move to Universal Credit. All income-based JSA claims will eventually be moved to Universal Credit at some point after July 2019.

Contribution-based JSA will still be available under Universal Credit and is termed 'new-style JSA'.

## ELIGIBILITY

**Income-based JSA is no longer available as a new claim. Except in certain circumstances for those who receive the Severe Disability Premium (SDP) and are moving from other benefits (e.g. JSA).**

Those in receipt of SDP moving from other means-tested benefits may be able to claim income-based JSA based on their household's income and savings. Any capital (excluding the house) needs to be below £16,000 and, in general, the claimant must be over 18.

Contribution-based JSA (or new-style JSA) is a standard amount that can be claimed by those who have made sufficient National Insurance contributions in the previous 2 years.

For both types of JSA the claimant, or their partner, must work less than 16 hours a week and be seeking work. They must have made a 'claimant commitment' with the DWP.

In general, JSA cannot be claimed by people without a right to reside in the UK, migrants or full-time students.

## PAYMENT AND CLAIMS

The qualifying period for JSA usually starts on the day the claimant first contacts the Jobcentre or makes an online Universal Credit claim, and is then usually not paid for the first seven days of a claim. JSA is normally paid fortnightly in arrears into the claimant's bank account.

## HOW JSA IS CALCULATED

Contribution-based JSA is set at a fixed rate with different amounts that apply to those aged above and below 25. Income from part time work is deducted from this fixed rate. The remainder is paid as JSA. Income-based JSA tops up income to a level set by the government for the household circumstances.

The level set by the government consists of an amount for the claimant(s), an additional amount for special circumstances (such as disability or caring responsibilities). Support for children is met through Child Tax Credit. Households with a mortgage may be able to take out a low-interest loan to assist with mortgage interest repayments.

Any income, together with a notional income derived from any capital over £6,000 but below £16,000 is then deducted from this and the remainder is paid as income-based JSA.

# JOBSEEKER'S ALLOWANCE

## JSA AND OTHER BENEFITS

Income-based JSA has been replaced by Universal Credit as a new claim (except for certain claimants with severe disability). Income-based JSA cannot be claimed at the same time as Universal Credit, Income Support, income-related ESA or Pension Credit. However recipients of JSA can also claim national insurance credits, Child Tax Credit, Child Benefit, some disability benefits and Council Tax Reduction. Recipients of contribution-based JSA can also receive Universal Credit and may qualify for some Council Tax Reduction.

For those who remain in receipt of income-based JSA, eligibility provides assistance with certain health and education costs, such as free prescriptions and free school meals. An income-based JSA claimant who is renting their home is entitled to maximum Housing Benefit but they must make a separate claim with the local authority.

An owner occupier who claims income-based JSA may be eligible for help with mortgage payments after 39 weeks. This is provided as a low-interest loan by the DWP and is paid directly to the mortgage company. It must be paid back when the house is sold. If the claimant receives contributory-JSA and Universal Credit they are not eligible for mortgage assistance if they undertake any work at all.

Most claimants of contribution-based JSA with low household income and capital can also get Universal Credit. Claimants in supported or temporary accommodation may also be able to claim Housing Benefit. The benefit cap may apply to those claiming JSA and either Universal Credit or Housing Benefit.

## OTHER INFORMATION

Contribution-based JSA is claimed by an individual, and is paid for a maximum of six months. It's paid regardless of capital and savings. Entitlement is based upon sufficient national insurance contributions in the past two years.

Most people currently receiving income-based JSA will move to Universal Credit if they have a significant change of circumstances.

## PLANNED FUTURE CHANGES

- In general, there will be no new claims for income-based JSA.
- Existing income-based JSA claimants will be transferred to Universal Credit following a significant change of circumstances or under "managed migration" between 2019 and 2023.
- From July 2020, Income-based JSA will be paid for an additional two weeks during the transition to Universal Credit.
- Because contribution-based JSA is not a means-tested benefit it will be unaffected by the introduction of Universal Credit.
- JSA rates have been frozen for four years from 2016.

# INCOME SUPPORT

## OVERVIEW

Income Support (IS) paid by the DWP to people of working-age who aren't in full-time work and aren't expected to seek work. Income Support provides a top up to existing income in order to bring household income up to a set amount determined by the household circumstances.

Income Support is now no longer available as a new claim. Although it may be available for those who receive certain disability benefits and qualify for the Severe Disability Premium (SDP) who move from other means-tested benefits. The Severe Disability Premium is an additional amount payable to those with disability and who have nobody to care for them.

Those currently receiving Income Support will stay in receipt of the benefit for the time being until they have a change of circumstance that causes a move to Universal Credit. All Income Support claims will be moved to Universal Credit at some point after July 2019.

## ELIGIBILITY

**Income Support is not now available as a new claim.** Although claimants in receipt of the Severe Disability Premium (SDP) may transfer to Income Support.

Those in receipt of SDP transferring from other benefits may be able to claim Income Support based on their household's income and savings. Any capital (excluding the house) needs to be below £16,000 and, in general, the claimant must be over 16.

Income Support can be claimed by an individual, or by a couple as long as neither partner works full time. Lone parents with children over 3 are expected to undergo preparation for work with the DWP.

The main eligible groups are:

- Carers
- People on parental leave
- Lone parents with a child under 5 years
- Women who are pregnant or have had a baby within 15 weeks, although they may be eligible for ESA instead
- People who can't work due to sickness or disability, although most disabled people can receive other disability benefits instead

## PAYMENT AND CLAIMS

The qualifying period usually starts on the day the claimant first contacts the Jobcentre and it is normally paid fortnightly in arrears into the claimant's bank account.

## HOW INCOME SUPPORT IS CALCULATED

Income Support is designed to top up income to a level determined by the household circumstances.

This consists of an amount for the claimant(s), an additional amount for special circumstances (such as disability or caring responsibilities) plus an amount towards housing costs. Support for children is met through Child Tax Credit. Households with a mortgage may be able to take out a low-interest loan to assist with mortgage interest repayments.

Any income, together with a notional income derived from any capital over £6,000, but below £16,000, is then deducted and the remainder paid as Income Support.

# INCOME SUPPORT

## IS AND OTHER BENEFITS

Income Support has been replaced by Universal Credit as a new claim (except for certain claimants with severe disability). Claims cannot be made for Income Support if the claimant or partner is eligible for certain other benefits such as Universal Credit, Jobseekers Allowance, Pension Credit or income-based ESA. These should be claimed instead of Income Support.

Income Support claimants who rent their homes are entitled to maximum Housing Benefit but they need to make a separate claim with the local authority. An owner occupier who claims Income Support may be entitled to assistance with mortgage payments after 39 weeks. This is provided as a low-interest loan by the DWP and is paid directly to the mortgage company. It must be paid back when the house is sold.

Recipients of Income Support may also receive national insurance credits, Working Tax Credit (if a partner works between 16 to 24 hours per week), Child Tax Credit, Child Benefit, some disability benefits and Council Tax Reduction.

They are also eligible for help with certain health and education costs.

Claimants of Income Support and Housing Benefit are affected by the benefit cap.

## FUTURE PLANNED CHANGES

- There will be no new claims for Income Support except for those with severe disability who qualify for the Severe Disability Premium transferring from other means-tested benefits.
- Existing claimants will be transferred to Universal Credit following a significant change of circumstances or under “managed migration” between 2019 and 2023.
- From July 2020, Income Support will be paid for an additional two weeks during the transition to Universal Credit.
- Since April 2018 mortgage interest support is in the form of a loan and will be repayable once the claimant sells the property.
- Income Support rates has been frozen for four years from April 2016.

# EMPLOYMENT AND SUPPORT ALLOWANCE

## OVERVIEW

Employment and Support Allowance (ESA) is a benefit paid by the DWP to those of working age who are not able to work full-time due to disability or illness, and are not receiving Statutory Sick Pay from their employer.

Income-based ESA has now been replaced by Universal Credit and is no longer available as a new claim except for certain households in receipt of the Severe Disability Premium transferring from other means-tested benefits. Those who already receive income-based ESA will continue to do so until they have a significant change of circumstances. After which, they will move to Universal Credit.

Contribution-based ESA will continue alongside Universal Credit. It is now called 'new-style ESA'. All ESA claimants must undergo a points based work capability assessment (WCA) to determine their capacity for work.

Claimants assessed as too ill or disabled to undertake any work-related activity are placed in the 'Support Group'. This is called the "Limited Capability for Work and Work Related Activity Group (LCWRA)" under Universal Credit. These claimants do not have to take part in work-related activity as a condition of receiving benefit.

Those deemed capable of some level of work are placed in the 'work-related activity' group (WRAG). This is called the "Limited Capability for Work Group (LCW) under Universal Credit. These claimants are expected to undergo preparation for a return to work.

## ELIGIBILITY

**Income-based ESA is now not available as a new claim.** There may be exceptions for those who receive the Severe Disability Premium (SDP) moving from other means-tested benefits. This is an additional amount payable to those with disability and who have nobody to care for them.

Those in receipt of SDP may be able to claim income-based ESA based on their household's income and savings. Any capital (excluding the house) needs to be below £16,000 and, in general, the claimant must be over 16 and have limited capability for work. In general people who are subject to immigration control or full-time students cannot claim.

Contribution-based ESA (or new-style ESA) is a standard amount that can be claimed by those who have made sufficient National Insurance contributions in the previous 2 years.

Claimants are permitted to work as long as earnings are under £125.50 per week and they work less than 16 hours per week.

Claimants placed in the work related activity group (or LCW) who are in receipt of Housing Benefit or Universal Credit are affected by the benefit cap.

## PAYMENT AND CLAIMS

The qualifying period for ESA usually starts on the day the claimant first contacts the Jobcentre and is then usually not paid for the first seven days of a claim. ESA is normally paid fortnightly in arrears into the claimant's bank account.

Contributory ESA ends after 365 days (excluding days when the claimant received the support component). After this period, the claimant may still receive Universal Credit depending on their income, capital and household circumstances.

## EMPLOYMENT AND SUPPORT ALLOWANCE

### HOW ESA IS CALCULATED

Contribution-based ESA is paid at a fixed basic rate. A lower rate applies to claimants under 25 years old. After 13 weeks a claimant may receive the higher 'support component' if they're deemed incapable of any work related activity.

Income-related ESA tops-up income to a level determined by the household circumstances. This consists of an amount for the claimant(s), an additional amount for special circumstances such as disability or caring responsibilities plus an amount towards housing costs. Support for children is met through Child Tax Credit. Households with a mortgage may be able to take out a low-interest loan to assist with mortgage interest repayments.

After the 13 weeks assessment period an extra amount is added if someone is in the support group. Any income, together with a notional income derived from any capital over £6,000 but below £16,000, is then deducted and the remainder paid as ESA.

### ESA AND OTHER BENEFITS

Income-based ESA has been replaced by Universal Credit as a new claim (except for certain claimants with severe disability). Income-based ESA cannot be claimed at the same time as Universal Credit, Statutory Sick Pay, Income Support, JSA or Pension Credit. However recipients of ESA can also claim national insurance credits, Child Tax Credit, Child Benefit, some disability benefits and Council Tax Reduction. Recipients of contribution-based ESA can also receive Universal Credit or be part of a joint JSA claim, and may qualify for some Council Tax Reduction.

ESA claimants renting their home may get assistance through Housing Benefit. An owner occupier may be eligible for help with mortgage payments after 39 weeks. This is provided as a low-interest loan by the DWP and is paid directly to the mortgage company. It must be paid back when the house is sold.

If the claimant receives contribution-based ESA and Universal Credit they are not eligible for mortgage assistance if they undertake any work at all. Those ESA claimants assessed as eligible for the 'support' component (or LCWRA under Universal Credit) may also be eligible for a more generous level of Universal Credit or Housing Benefit.

Claimants in receipt of ESA can claim national insurance credits and may also be eligible for help with some health and education costs. Contribution-based ESA is taxable and counts as income for most other means-tested benefits.

### FUTURE PLANNED CHANGES

- There will be no new claims for income-based ESA except for those with severe disability who qualify for the Severe Disability Premium.
- Existing income-based ESA claimants will be transferred to Universal Credit following a significant change of circumstances or under "managed migration" between 2019 and 2023.
- From July 2020, Income-based ESA will be paid for an additional two weeks during the transition to Universal Credit.
- Because contribution-based ESA is not a means-tested benefit it will be unaffected by the introduction of Universal Credit.
- ESA rates have been frozen for four years from 2016.

# HOUSING BENEFIT

## OVERVIEW

Housing Benefit is a benefit administered by the local authority to assist those on low incomes with rental costs.

Housing Benefit may be claimed by those in full-time work and those not working so long as they are renting the property in which they live. Those who have purchased homes through shared ownership schemes are eligible for Housing Benefit on the rental part of their payments.

The property may be rented from the local authority, a Housing Association or a private landlord.

Maximum Housing Benefit may be less than the full amount of rent due to limits set by the Government for each local authority and the bedroom tax.

Housing Benefit has now been replaced by Universal Credit for most working-age claimants. Working-age claimants can now only claim Housing Benefit if they are in receipt of the Severe Disability Premium, or are tenants of supported or temporary accommodation.

## ELIGIBILITY

Housing Benefit is now only available as a new claim for those who receive the Severe Disability Premium (SDP) or tenants of supported or temporary accommodation.

Any capital must be below £16,000 and the claimant must be liable for the rent on the property. In general, those subject to immigration control and full-time students cannot claim Housing Benefit.

## PAYMENT AND CLAIMS

Housing Benefit claims should be made with the local authority and the benefit period usually starts from the Monday following the date of claim.

Tenants who rent from the local authority or a Housing Association will receive their benefit as a reduction in their weekly rent. Tenants renting from a private landlord will receive payment by direct debit fortnightly in arrears. In some circumstances rent payments for private tenants can be made directly to the landlord.

## HOUSING BENEFIT AND OTHER BENEFITS

Recipients of income-based Jobseekers Allowance, income-related ESA and Income Support who rent their home automatically receive maximum Housing Benefit.

The majority of non means-tested benefits are taken into account in calculating household income for Housing Benefit. Any income from Disability Living Allowance (DLA), Personal Independence Payments (PIP) or Attendance Allowance (AA) are ignored.

Some Housing Benefit claimants in receipt of out-of-work benefits will be subject to the benefit cap. The benefit cap for those in Greater London is £23,000 a year if they are a couple or lone parent and £15,410 if they are single. The benefit cap for other areas of the country is £20,000 for lone parents and couples and £13,400 for single claimants.

Under the current system, only Housing Benefit can be reduced because of the benefit cap, to a minimum of 50p. This minimum payment is important as it entitles the claimant to apply for assistance with rent through Discretionary Housing Payments (DHPs).

# HOUSING BENEFIT

## OTHER INFORMATION

Local Authorities can make additional discretionary payments to help with rental costs in cases of severe hardship.

These Discretionary Housing Payments (DHPs) are usually made where claimants receive a reduced amount due to the maximum Housing Benefit allowed for the area, the bedroom tax or the benefit cap. They can be weekly top-ups or one-off payments towards housing costs, such as removal costs to a smaller property. A claimant must be in receipt of Housing Benefit in order to be eligible for further support through Discretionary Housing Payments.

Claimants living in supported housing or temporary accommodation will continue to receive Housing Benefit to cover their rent. They will still migrate to Universal Credit and receive the personal element of Universal Credit alongside their Housing Benefit.

## FUTURE PLANNED CHANGES

- There will be no new claims for Housing Benefit for working-age claimant except for those in receipt of certain disability benefits who qualify for the Severe Disability Premium and tenants of supported or temporary housing.
- Pension age claimants will eventually have housing costs included within their Pension Credit. The date for this has not yet been decided.
- Existing working-age Housing Benefit claimants will be transferred to Universal Credit following a significant change of circumstances or under “managed migration” between 2019 and 2023.
- From April 2016, Housing Benefit applicable amounts have been frozen for four years, together with LHA rates.
- Since April 2018, Housing Benefit claimants transferring to Universal Credit will receive 2 weeks additional Housing Benefit after the end of their Housing Benefit claim. This will be paid two weeks from the start date of Universal Credit.

## HOW HOUSING BENEFIT IS CALCULATED

### STEP 1: CALCULATE MAXIMUM HOUSING BENEFIT

- Maximum Housing Benefit is based on the weekly rent, excluding amounts for services or expected contributions from adult relatives and friends (non-dependants) who live in the household.
- A lower rent may be used to calculate Housing Benefit if the actual rent is higher than the limit for the area. These limits are set at the 30th percentile of rents for the Broad Rental Market Area.
- A lower rent may also be used if the family is deemed to be occupying too large a property.
- Recipients of Income Support, income-based JSA, income-related ESA and some other benefits automatically receive maximum Housing Benefit.

## HOUSING BENEFIT

### STEP 2: CALCULATE INCOME

- Calculate income for people who don't automatically receive maximum Housing Benefit, such as those not in receipt of Income Support or income-based JSA or income-related ESA.
- This is generally the total income of the household net of tax and National Insurance and includes most other benefits, Working Tax Credit, maintenance from a partner and a notional income derived from any capital over £6,000.
- If the claimant or partner is working an earnings disregard is generally applied to the earned income. This is a fixed rate amount (usually between £5 and £25 per week) and depends on hours worked and household circumstances.

### STEP 3: COMPARE INCOME TO THE APPLICABLE AMOUNT

- The household may be eligible for premiums for children, disability or carers, which are added to calculate the 'applicable amount'.
- If the income is below the applicable amount, maximum Housing Benefit is awarded. If it is above the applicable amount, maximum Housing Benefit is reduced by 65% of the excess.

### EXAMPLE OF HOW HOUSING BENEFIT IS CALCULATED

A couple have 2 children under 10. Their net income is £500 per week and they're renting a 3 bedroom house for £300 per week.

STEP 1	<b>Calculate maximum Housing Benefit</b> The rent is £300 per week but, for housing benefit purposes, they only need 2 bedrooms. The maximum housing benefit for a 2 bed house in their area is £250 per week. This is therefore the maximum housing benefit amount they can receive.
STEP 2	<b>Calculate income</b> Compare their income to the amount they need to live on, known as the Applicable Amount. Here, the Applicable Amount is £248.65. The family's income is £500 per week which is £251.35 over.
STEP 3	<b>Calculate the family's Housing Benefit</b> Maximum housing benefit is reduced by 65% of the income in excess of the Applicable Amount. The maximum benefit of £250 is therefore reduced by 65% of £251.35, ie £163.38. The family can get £86.62 housing benefit per week.

# WORKING TAX CREDIT AND CHILDCARE TAX CREDIT

## OVERVIEW

Working Tax Credit (WTC) is a benefit paid by HMRC to working people on low incomes. Childcare Tax Credit is a part of WTC, and assists working people on low incomes with the cost of childcare.

Working Tax Credit is an in-work benefit designed to top-up the income of those in remunerative work, or in receipt of maternity pay or sick pay, who receive a low income.

Childcare Tax Credit is part of Working Tax Credit and cannot be claimed separately. It is intended to help those in work and on low incomes with childcare costs.

Working Tax Credit has now been replaced by Universal Credit, it is no longer possible to make a new claim for Working Tax Credit. Those who currently receive Working Tax Credit will continue to do so until they have a significant change of circumstances. After which, they will move to Universal Credit. All tax credit claims will eventually move to Universal Credit from July 2019 onwards.

## ELIGIBILITY

**Working Tax Credits have now been replaced by Universal Credit for both working age claimants and pension age claimants.**

Eligibility rules are now only relevant to those currently in receipt of Working Tax Credit. In general, claimants must be over 25 and work more than 30 hours per week or be temporarily absent from work due to sickness or pregnancy. They can be an employee or work on a self-employed basis.

The age limit and the hours that a person must work are reduced in certain circumstances (such as lone parents or where a member of the household is disabled).

Couples must make a joint claim.

Any person subject to immigration control is not eligible for tax credits.

In order to claim Childcare Tax Credit as part of Working Tax Credit the claimant must be responsible for a child for whom childcare costs are paid.

## PAYMENT AND CLAIMS

Claims are made with HMRC. In general, claims start from the date the claim form is received at HMRC. Payment is usually made into the claimant's bank account by direct debit either weekly or every four weeks.

## OTHER BENEFITS

Households receiving Universal Credit cannot claim tax credits.

Working Tax Credit counts as income for the purposes of calculating entitlement to Income Support, income-based Jobseekers Allowance, income-related ESA and Housing Benefit.

Child Tax Credit can be paid in addition to Working Tax Credit.

Those in receipt of Working Tax Credit may also get assistance with certain health and education costs, e.g. free prescriptions and free school meals. Households that receive Working Tax Credit are exempt from the benefit cap.

## WORKING TAX CREDIT AND CHILDCARE TAX CREDIT

### HOW WORKING TAX CREDIT AND CHILDCARE TAX CREDIT ARE CALCULATED

Tax Credits are calculated as an annual amount and adjusted pro rata for the number of days for which the claimant is eligible.

#### STEP 1: CALCULATE MAXIMUM WORKING TAX CREDIT

- This is calculated by adding together amounts for specific 'elements' that relate to the family circumstances.
- The childcare element is the only element that is not a fixed rate.
- It is calculated as 70% of childcare costs up to a set limit for one, or two or more, children.

#### STEP 2: CALCULATE HOUSEHOLD INCOME

- This includes gross earnings (minus any pension contributions), pension income, all taxable benefits (such as contribution-based JSA and contribution-based ESA) and other taxable income (e.g. from tenants or investments).
- Most means-tested benefits are non-taxable and so are ignored.
- £300pa is disregarded from any income from pensions and investments.

#### STEP 3: COMPARE HOUSEHOLD INCOME

- Income is compared to a fixed-rate 'threshold'. This is currently £6,420 a year.
- If income is below the threshold, the claimant is eligible for the maximum Working Tax Credit (including Childcare Tax Credit where relevant).
- If income is higher than the threshold maximum Working Tax Credit is reduced by 41% of the difference.
- The calculation is similar to the example shown for Child Tax Credit.

### FUTURE PLANNED CHANGES

There will be no new claims for tax credits, working age claimants will need to claim Universal Credit.

Existing claimants will be transferred to Universal Credit between 2019 and 2023. The date of transfer will depend on the area in which they live.

# CHILD TAX CREDIT

## OVERVIEW

Child Tax Credit (CTC) is a benefit paid by HMRC to families on low incomes to assist with the cost of raising a child.

Child Tax Credit can be claimed by those in work as well as those not working, so long as they have responsibility for a child.

## ELIGIBILITY

### **Child Tax Credits have now been replaced by Universal Credit.**

Those of pension age cannot claim Universal Credit but an amount equivalent to the Universal Credit child elements will be included in Pension Credit for new claims

A claimant must be resident in the UK and have responsibility for a child or children and not be eligible for Universal Credit. In general, a person subject to Immigration control is not eligible.

Claimants must be over 16. There is no upper age limit.

## PAYMENT AND CLAIMS

Claims are made with HMRC. In general, claims start from the date the claim form is received at HMRC.

Payment is usually paid into the claimant's bank account by direct debit either weekly or every four weeks.

## HOW CHILD TAX CREDIT IS CALCULATED

Child Tax Credit is calculated as an annual amount and is adjusted, pro rata, for the number of days the claimant is eligible. Claims end at the end of the tax year.

Maximum Child Tax Credit is calculated by adding together fixed amounts per child, an amount for the family and additional amounts for each disabled child. An amount per child is included for each child born before 1 April 2017. Children born after this date are only included if the total number of children is 2 or less. Claims for Child Tax Credit received after April 2017 will no longer include a family element.

Recipients of Income Support, income-based JSA, income-related ESA and some other benefits automatically receive maximum Child Tax Credit if they are eligible.

For claimants who do not automatically receive maximum Child Tax Credit, household income is compared to a fixed rate 'threshold'.

This threshold is £16,105 if the claimant is eligible for Child Tax Credit only or £6,420 if the claimant is also eligible for Working Tax Credit.

If income is below the relevant threshold, the claimant is eligible for full Child Tax Credit. If income is higher than the relevant threshold, maximum Child Tax Credit is reduced by 41% of the difference.

## CHILD TAX CREDIT

### OTHER BENEFITS

Child Tax Credit has now been replaced by Universal Credit. Claimants cannot claim Child Tax Credit if they are eligible for Universal Credit.

Child Tax Credit is ignored in the calculation of income for Income Support, income-related ESA and Income-based Jobseekers Allowance.

Child Tax Credit is taken into account as household income for Housing Benefit purposes.

Those in receipt of Child Tax Credit may also get assistance with certain health and education costs (e.g. free prescriptions and free school meals).

If the claimant also receives Housing Benefit then Child Tax Credit is one of the benefits taken into account in calculating the benefit cap.

### FUTURE PLANNED CHANGES

- There will be no new claims for Child Tax Credits except for those of pension-age or those with severe disability who qualify for the Severe Disability Premium.
- Existing tax credit claimants will be transferred to Universal Credit following a significant change of circumstances or under “managed migration” between 2019 and 2023.

### EXAMPLE OF HOW CHILD TAX CREDIT IS CALCULATED

A couple have 2 children. Their annual net income is £23,000

STEP 1	<b>Calculate the Child Tax Credit</b> 2 x child element (£2,780 x 2) = £5,560. This is the maximum Child Tax Credit for this family. If the claim had been made before April 2017 there would be an addition of £545 family element.
STEP 2	<b>Compare income to the Threshold Amount</b> The threshold amount is £16,105. The family's income of £23,000 exceeds the threshold amount by £6,895.
STEP 3	<b>Calculate the family's Child Tax Credit</b> Maximum child tax credit is reduced by 41% of the income in excess of the Threshold Amount. In this case maximum child tax credit of £5,560 is therefore reduced by 41% of £6,895, ie £2,826.95. The family can get £2,733.05 child tax credit per annum.

# COUNCIL TAX REDUCTION

## OVERVIEW

Council Tax Reduction is a benefit administered by the local authority in order to help those on low incomes meet their Council Tax liability.

Each local authority sets its own rules for who should receive assistance and the level of support. The local authority will publish their scheme and the criteria they use for reducing Council Tax bills.

## ELIGIBILITY

Those liable to pay Council Tax may apply for Council Tax Reduction. Eligibility criteria is set by each local authority.

## PAYMENT AND CLAIMS

Claims should be made to the local authority. In general, reductions in Council Tax will be calculated from the Monday following receipt of a claim.

If a person is eligible for Council Tax Reduction they will receive a reduced council tax bill.

## HOW COUNCIL TAX REDUCTION IS CALCULATED

There are currently 326 different Council Tax Reduction schemes in the UK.

The majority of local authorities have set a minimum amount of Council Tax that everyone, regardless of income, must pay.

In 2016 the average minimum amount was 22%.

A few authorities provide a maximum reduction that covers the full charge.

Most local authorities compare income against an amount the household needs to live on to determine the level of Council Tax Reduction.

## COUNCIL TAX REDUCTION AND OTHER BENEFITS

Each local authority has their own rules about how additional benefits are treated.

Some local authorities ignore certain benefits whilst others take them all into account.

## FUTURE PLANNED CHANGES

- Reduction in income to local authorities from central government means that many local authorities are expected to make support less generous in the next few years.
- Council Tax Reduction is not affected by the introduction of Universal Credit but it is likely that many authorities will change their support schemes to align them with Universal Credit.

# UNIVERSAL CREDIT

## OVERVIEW

Universal Credit is paid by the DWP and is intended to help people on low incomes whether they are in work or not. It will replace the following means-tested benefits and tax credits:

1. Income Support
2. Income-based Jobseekers Allowance
3. Income-related Employment and Support Allowance
4. Housing Benefit (except for those in supported or temporary accommodation)
5. Working Tax Credit
6. Child Tax Credit

Universal Credit is intended to offer a unified benefit to working age people on low incomes, whether in work or not, and includes those with limited work capability. For working-age claimants, most new claims must now be for Universal Credit. Those who receive disability benefits and qualify for the Severe Disability Premium are the exception.

Claimants currently in receipt of means-tested benefits will migrate to Universal Credit by 2023. Households in temporary accommodation or supported housing will continue to receive Housing Benefit to cover their housing costs alongside the personal allowance of Universal Credit. Households in which a person receives the Severe Disability Premium as part of their benefit will not move over to Universal Credit until the start of managed migration.

## ELIGIBILITY

In general, claimants must be over 18, below pension age, not in education and have signed a 'Claimant Commitment' with the DWP. Any savings or capital (excluding the home) must be less than £16,000 and, in most cases, those subject to immigration control cannot claim. A claim may be made by an individual or a couple if they both meet the eligibility criteria.

Under managed migration, households in receipt of tax credits who have more than £16,000 in savings can claim Universal Credit for 12 months.

## UNIVERSAL CREDIT AND OTHER BENEFITS

Claimants of Universal Credit cannot be in receipt of most other means-tested benefits such as income-based JSA, Income Support, Income-related ESA, Working Tax Credit and Child Tax Credit. Claimants who live in temporary or supported housing are the only group who can claim Housing Benefit alongside Universal Credit.

Claimants may still claim contributory benefits where eligibility is based on national insurance contributions such as contribution-based JSA or contribution-based ESA, as well as Child Benefit and certain other non means-tested benefits.

From July 2020, claimants will receive Income-based JSA, Income-based ESA and Income Support for an additional two weeks during their transition onto Universal Credit.

Claimants may also still claim Council Tax Reduction. Universal Credit is not taxable but it is subject to the benefit cap. Some claimants may be eligible for national insurance credits for the period they receive Universal Credit. Eligibility for Universal Credit may also mean help with certain health and education costs can be given.

Since April 2018, Housing Benefit claimants moving to Universal Credit receive 2 weeks extra Housing Benefit after the end of their Housing Benefit claim. This is paid 2 weeks from the start date of UC. Also from this date, Support for Mortgage Interest (SMI) in Universal Credit became a loan, repayable when the property is sold.

# UNIVERSAL CREDIT

## HOW UNIVERSAL CREDIT IS CALCULATED

Household income, together with notional income derived from any capital over £6,000, is compared to the maximum Universal Credit amount for the household.

If income is below the maximum Universal Credit amount, the difference is awarded as Universal Credit.

### STEP 1: CALCULATE MAXIMUM UNIVERSAL CREDIT

- This is calculated by adding together personal allowances and allowances for any children (up to a maximum of 2 children) plus additions for specific household circumstances such as disability, childcare or caring responsibilities.
- Allowances are also added for housing costs for both tenants (excluding those in supported or temporary accommodation) and owner occupiers.

### STEP 2: CALCULATE EARNED INCOME

- If the claimant is responsible for a child, or is deemed to have incapacity for work, earnings up to a certain level are ignored. This is called the work allowance.
- The work allowance is set at a higher rate for those with housing costs included in Universal Credit.
- There is no work allowance for claimants without children and those who are deemed capable of work.
- 63% of earned income (or income above the work allowance if applicable) is taken into account as income for assessment purposes.

### STEP 3: ADD ANY OTHER INCOME

- Add other income such as benefits, income from savings and maintenance in respect of an adult, to any earnings to be taken into account. Maintenance in respect of a child, Disability Living Allowance, Personal Independence Payments and Attendance Allowance can be ignored.

### STEP 4: DEDUCT TOTAL INCOME

- Deduct total income arrived at in Step 3 from maximum Universal Credit.
- The difference is the amount of Universal Credit the claimant is awarded.

## FUTURE PLANNED CHANGES

- For most households, Universal Credit will replace current means-tested benefits for all new claims from 2016. However, those in receipt of the Severe Disability Premium will remain on legacy benefits until the start of managed migration when transitional protection will be available.
- Claimants currently in receipt of other means-tested benefits, with the exception of the groups mentioned above, will migrate to Universal Credit by 2023.
- From April 2019, Universal Credit Work Allowances for households with children and households in which the claimant or their partner has limited capacity for work will increase by £1,000 a year.
- From May 2019, mixed-age couples where one partner is of state pension age and the other below won't be able to make new claims for Pension Credit and will instead have to claim Universal Credit.
- From July 2019, additional transitional protection will be offered to all self-employed households. All households will be given a 12 month grace period before the minimum income floor is applied, during which their income will be assessed as their actual income.
- From October 2019, the maximum rate of deductions from Universal Credit to repay loans or debts will decrease from 40% to 30% of the standard allowance.
- From October 2021, the period over which advances are recovered will increase from 12 to 16 months.
- From 2020, the earnings limit that triggers the surplus earnings policy will be reduced from £2500 per month to £300 per month.

## OTHER BENEFITS AND INFORMATION

### DISCRETIONARY HOUSING PAYMENTS

Discretionary Housing Payments (DHPs) are payments made at the discretion of the local authority to help people with rent. To be eligible, the person must be in receipt of some Housing Benefit or housing cost element in their Universal Credit.

A DHP is intended to give short-term assistance whilst the person seeks a longer-term solution. It is generally paid to those who have been affected by the benefit cap or receive reduced Housing Benefit due the size or cost of their current house.

Local authorities each set their own criteria for eligibility and awards.

DHPs are not taken into account when assessing income for means-tested benefits.

### DISABILITY LIVING ALLOWANCE (DLA), PERSONAL INDEPENDENCE PAYMENT (PIP), ATTENDANCE ALLOWANCE (AA)

DLA, PIP and AA are disability benefits awarded to adults and children who need assistance with mobility or care. They are paid at different rates depending on the level of support required.

Children can receive DLA. Working-age adults can receive PIP and pension-age adults can receive AA.

These disability benefits can entitle a claimant to higher levels of means-tested benefits.

DLA, PIP and AA are not taken into account in assessing income for means-tested benefits.

### THE BENEFIT CAP

The Benefit Cap is a limit on the total amount of certain benefits people of working age can get. It affects people who get Housing Benefit or Universal Credit, which is reduced.

The benefit cap for those in Greater London is £23,000 per annum if they're a couple or lone parent and £15,410 per annum if they are single. The benefit cap outside London is £20,000 per annum for lone parents and couples and £13,400 per annum for single claimants.

## ANNEX: BENEFIT RATES

The base amounts shown are valid for 2018, unless stated otherwise.

JOBSEEKERS ALLOWANCE (JSA) INCOME SUPPORT (IS) AND EMPLOYMENT SUPPORT ALLOWANCE (ESA)		
Maximum amounts		
Single U25	£57.90	Weekly
Single	£73.10	Weekly
Couple - both under 18	£57.90	Weekly
Couple	£114.75	Weekly
ESA Work Related Activity Group (addition)	£316.52	Monthly
ESA Support Group (addition)	£481.01	Monthly
Work Allowances		
Single	£5.00	Weekly
Lone Parent	£20.00	Weekly
Couple	£10.00	Weekly
Disabled	£20.00	Weekly
Withdrawal Rate		
Rate	100%	
Income	Gross Earnings	
Capital and Savings		
Lower limit (working age)	£6,000.00	
Upper limit (working age)	£16,000.00	
Deductions per £250 over lower limit (working age)	£1	Weekly

## ANNEX: BENEFIT RATES

The base amounts shown are valid for 2017/2018, unless stated otherwise.

WORKING TAX CREDIT (WTC) AND CHILD TAX CREDIT (CTC)		
Maximum amounts		
Child Tax Credit		
The Basic Amount (The Family Element)	£545.00	Annual
For Each Child (The Child Element)	£2,780.00	Annual
Disabled Child Element (on top of the child element)	£3,355.00	Annual
Severely disabled child element (on top of the child element and the disabled child element)	£1,360.00	Annual
Working Tax Credit		
Basic Element	£1,960.00	Annual
Couple and lone parent element	£2,010.00	Annual
30 hour element	£810.00	Annual
Disabled element	£3,165.00	Annual
Severely disabled element	£1,365.00	Annual
Percentage of total childcare costs	70%	Annual
Maximum Childcare (one child)	£175.00	Weekly
Maximum Childcare (two or more children)	£300.00	Weekly

## ANNEX: BENEFIT RATES

The base amounts shown are valid for 2017-2018, unless stated otherwise.

TAX CREDIT WITHDRAWAL		
Withdrawal Threshold		
Working Tax Credit	£6,420.00	
Child Tax Credit only earnings disregard	£16,105.00	Annual
Tax credit - disregarded fall in earnings	£2,500.00	Annual
Tax credit - disregarded rise in earnings	£2,500.00	
Withdrawal Rate		
Rate	41%	
Income	Gross earnings	

HOUSING BENEFIT	
Housing Element	
Private Sector	Capped based on the local housing allowance, and the eligible number of bedrooms
Social Sector	Uncapped, typically lower than private rents, limited by eligible number of bedrooms
Owner Occupiers	Support for mortgage interest (at 3.12% on mortgages up to £200k, not technically housing benefit)
Bedroom entitlement	
Shared Room Rate	Single, Under 35
One bedroom	Couple, or Single over 35
Two bedrooms	Single or Couple, with any child, or two under 10, or two of the same gender
Three bedrooms	Single or Couple, with two children, one over ten and of different genders, or three children
Four bedrooms	Single or Couple, with at least three children 15+, or four children, with two 10+ of different genders

## ANNEX: BENEFIT RATES

The base amounts shown are valid for 2017/2018, unless stated otherwise.

HOUSING BENEFIT WITHDRAWAL		
Housing Premiums / Applicable Amount		
Child premium	£66.90	Weekly
Child disability premium	£64.19	Weekly
Enhanced child disability premium	£26.04	Weekly
Carer premium	£36.85	Weekly
Work Allowances		
Lone parent	£25.00	Weekly
Disabled	£20.00	Weekly
Couple	£10.00	Weekly
Single	£5.00	Weekly
Additional earnings disregard*	£17.10	Weekly
Childcare disregard (one child)**	£175.00	Weekly
Childcare disregard (two or more children)**	£300.00	Weekly
Withdrawal rate		
Rate	65%	
Income	Net Earnings	
Capital and savings		
Lower limit (working age)***	£6,000.00	
Upper limit (working age)	£16,000.00	
Deductions per £250 over lower limit (working age)	£1.00	Weekly

\* If in receipt of Working Tax Credit

\*\* Or actual childcare cost, if lower

\*\*\* Lower limit for pension age is £10,000 and the deduction tariff is £1.00 per £500 over lower limit

## ANNEX: BENEFIT RATES

### UNIVERSAL CREDIT

Base Elements		
Single, under 25	£251.77	Monthly
Single, 25 or over	£317.82	Monthly
Couple, both under 25	£395.20	Monthly
Couple, at least one 25 or over	£498.89	Monthly
Child Element		
First child	£277.08 (born before 6 April 2017) £231.64 (born on or after 6 April 2017)	Monthly
Subsequent children	£231.67	Monthly
Sickness / Disability Element		
Limited capability for work	£126.11	Monthly
Limited capability for work-related activity	£336.200	Monthly
Carer (providing at least 35 hours of care)	£150.39	Monthly
Disabled child - lower rate	£126.11	Monthly
Disabled child - higher rate	£396.08	Monthly
Childcare Element		
Percentage of total childcare costs	85%	From April 2016
Maximum Childcare (one child)	£646.35	Weekly
Maximum Childcare (two or more children)	£1,108.04	Weekly

Housing Element	
Private Sector	Capped based on the LHA and the eligible number of bedrooms
Social Sector	Uncapped, typically lower than private rents, limited by eligible number of bedrooms
Owner Occupiers	Support for mortgage interest (at 3.12% on mortgages up to £200k, unless in work)

## ANNEX: BENEFIT RATES

### UNIVERSAL CREDIT WITHDRAWAL

Work Allowances (from April 2016)		
Household with children (no housing support)	£409.00	Monthly
Household with children (with housing support)	£287.00	Monthly
Disabled (no housing support)	£397.00	Monthly
Disabled (with housing support)	£192.00	Monthly
All others	-	Monthly
Withdrawal rate		
Earned income	63%	
Other income	100%	
Capital and savings		
Lower limit (working age)	£6,000.00	
Upper limit (working age)	£16,000.00	
Deductions per £250 over lower limit (working age)	£4.35	Monthly



ABOUT POLICY IN PRACTICE

## WE BELIEVE THE WELFARE SYSTEM CAN WORK BETTER

Policy in Practice helps people towards financial independence. We're a policy led software and analytics business and we make the welfare system simple to understand and navigate.



### DATA ANALYTICS

Explore your data over time with a LIFT Dashboard. See the impact of reforms on your households with a Policy Impact Analysis.



### SOFTWARE

Grow the financial resilience of people you help with our fast, accurate and easy to use Benefit and Budgeting Calculator.



### DATA MODELLING

Model the impacts of changes on vulnerable groups, scheme costs, arrears and enforcement with our Council Tax Support Scheme modelling.

## ORGANISATIONS WE WORK WITH



The Policy in Practice LIFT Dashboard has allowed us to draw together previously disparate databases into one easily accessible platform. It maps our data against future predicted changes and gives us an easily accessible platform to see what residents' situations are.

Chris Parker, Newcastle City Council



We chose to work with Policy in Practice because their unparalleled expertise in simplifying the welfare system, as well as their Benefit and Budgeting Calculator, allows us to deliver innovative services to jobseekers across the entire Southern region.

Marise Mackie, Pluss



Policy in Practice's Benefit and Budgeting Calculator was something we really needed. It's enabled us to provide a consistent approach to assessing affordability. We give our customers an online tool which lets them take control of their finances and liaise with us electronically, without the awkwardness or challenge sometimes faced in person.

Carole Kenney, Phoenix



We asked Policy in Practice to help us model our Council Tax Support scheme to give Members confidence that all options to reduce cost while supporting residents were covered. We wanted to learn from other LAs who've already rolled out UC and we knew an external consultant was the best way to do that.

Ian Jones, London Borough of Hackney

## WORK WITH US TO MAKE THE WELFARE SYSTEM BETTER

We use our policy expertise to help you drive change. As a team of professionals with extensive knowledge of the welfare system we are regularly commissioned by organisations to provide data enabled social policy insights.

## CONTACT US

For further information call 0330 088 9242, email [hello@policyinpractice.co.uk](mailto:hello@policyinpractice.co.uk) or visit [www.policyinpractice.co.uk](http://www.policyinpractice.co.uk).