

Applying the Minimum Income Floor

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Minimum income floor introduction

The intention of Universal Credit is to support claimants to continue self-employment when this is the best route for them to become financially self-sufficient.

Claimants in the intensive work search, light touch and working enough regimes who have been considered to be gainfully self-employed and are not in a start-up period will have a Minimum Income Floor (MIF) applied.

The MIF is an amount of earnings which a gainfully self-employed claimant is treated as having in an assessment period. This is based on the earnings we could expect a claimant with similar circumstances to achieve.

If a claimant's actual earnings are below this level, their Universal Credit award will be calculated using this assumed level of earnings.

Minimum Income Floor and work-related requirements

Where it is considered that the claimant is gainfully self-employed but is not eligible for the start-up period, they will be allocated to the working enough regime and the MIF will be applied. Claimants work search or work availability requirements will be 'switched off' as long as they remain gainfully self-employed.

This is to allow self-employed claimants subject to the MIF time to concentrate on making a success of their business and increasing their self-employed earnings up to and above their MIF.

When the Minimum Income Floor will not apply

Where the claimant has been placed in the Work Preparation, Work Focused Interview (WFI) or No Work Related Requirements (NWRR) regimes, this will take priority. They will not be treated as gainfully self-employed and the MIF will not be applied.

The MIF will also not apply to claimants in the start-up period or those in a 6 month period following managed migration to Universal Credit.

Level of Minimum Income Floor

The 'Minimum Income Floor Calculator' located in the 'ALPS LINKS' folder in the shared area will work out the claimant's individual threshold and convert to a monthly amount.

A claimant's MIF level will be calculated as:

- the number of hours they would be expected to look for work each week if they were not self-employed
- multiplied by the national minimum wage rate for the claimant's age group
- multiplied by 52 then divided by 12 to reach a monthly figure
- minus the income tax and class 2 and class 4 NI contributions payable on actual earnings at that level to produce a net figure

Where a single claimant's earned income is below their individual threshold in any assessment period, then the claimant is treated as having earned income equal to their individual threshold. This is the claimant's MIF.

Example – MIF is applied

Terry is in gainful self-employment. His MIF is £1,016.17. This is calculated by multiplying his [expected hours](#) of work by the National Minimum Wage (NMW) appropriate for their age. Terry's expected hours of work are 35, and if the appropriate NMW is, for example, £6.95 ($35 \times 6.95 = 243.25$).

This is then converted to a monthly amount ($243.25 \times 52 / 12 = £1,054.08$). The calculator deducts the appropriate amount of tax and NI contributions and in this particular case it deducts £35.83 to leave £1,018.25 as Terry's individual threshold.

Terry's actual earnings for the current assessment period from their self-employment are £800 but as the MIF is applied they are treated as having earned income of £1,018.25 in the assessment period.

Where the claimant's actual earnings are above the MIF then the actual earnings are taken into account. (See example below)

Example – MIF not applied

Nora is gainfully self-employed. The calculator has determined that her MIF is £759.

Nora's actual earnings from her self-employment in the current assessment period are £870 and above her MIF. Nora's earnings are above the MIF so it no longer applies and instead her actual earnings are taken into account.

Couple households

In couple households where one partner is gainfully self-employed, a MIF would apply to that individual. Where both partners are gainfully self-employed a MIF will apply to each individual separately and be combined for the calculation of the benefit unit award. Depending on their individual circumstances, each claimant may have a different MIF.

The MIF should never lift a household's deemed earnings (the sum of each individual's deemed earnings) above the household's net conditionality threshold (the 'maximum for a couple').

In a couple household where one adult is subject to a MIF but their partner has actual earnings above the household threshold, or if their combined actual earnings are above the household threshold, no MIF will apply and the combined actual earnings will be used in the Universal Credit calculation.

Where combined actual earnings are below the household threshold but the partner earnings plus the MIF are above the household threshold, the MIF (if applicable) can be reduced so that it equals the household threshold minus partner earnings.

Example – household threshold

Will and Nora are in receipt of Universal Credit as joint claimants. Both Will and Nora are in gainful self-employment.

Will's earned income for the current assessment period is £500 and Nora's earned income for the assessment period is £1,200.

Their combined earned income is therefore £1,700. Their couple threshold is £1,900 (each individual threshold of £950 X 2).

The MIF applies.

Will is initially treated as having MIF of £950. This gives a total earned income amount for the couple of £2,150 (£950 + £1,200) which is £250 in excess of the couple threshold (£2,150 - £1,900).

The combined earned income that Will and Nora are treated as having is above their couple threshold of £1,900. Therefore the MIF for Will is reduced by the amount that the couple's income exceeds (£950-£250). Will is treated as having earned income of £700 (MIF).

This means that for the assessment period Will is treated as having earned income of £700. When added to Nora's actual earned income of £1,200 this gives a combined income of £1,900.

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