

Earnings Taper

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Introduction

Universal Credit is designed to simplify the link between benefits and earnings so it pays for someone to take a job, increase their pay, or increase the hours they work.

To make the financial advantages of working clear, claimants need to understand how earnings affect their Universal Credit award. This is why [Work Allowances](#) and a single Earnings Taper rate has been created.

Earnings Taper

The earnings-related adjustment is also known as the Earnings Taper. Universal Credit has a single “Earnings Taper” rate of 65%. This ensures that as a claimant’s earnings increase, the amount of Universal Credit a claimant receives is reduced, but not pound for pound.

If a claimant has a work allowance, the amount of earnings over their Work Allowance is multiplied by the taper rate of 65%. If a claimant does not have a work allowance, all their earnings are multiplied by the taper rate of 65%. This gives the level of earnings to be taken into account, which is then deducted from the Universal Credit award. This means that for every pound a claimant earns above their Work Allowance, the Universal Credit award is reduced by 65p.

Example:**Household with a work allowance**

A single claimant or couple responsible for one or more children or qualifying young person (QYP) in an assessment unit without housing costs, with a work allowance of £397, earns £600 (after tax, NI and pension contributions).

The claimant or couple can earn up to their Work Allowance without the taper rate being applied to those earnings. Therefore the amount of earnings that are taken into account is £600 minus their work allowance (£397) = £203. This £203 is multiplied by the taper rate of 65% to give the earnings which will be taken into account, in this case £131.95. The individual's Universal Credit award will therefore be reduced by £131.95.

This will also apply if the claimant or couple has Limited Capability for Work.

Household with no work allowance

A single claimant or couple, with no children or without limited capability to work, in an assessment unit without housing costs, with no work allowance, earns £200 (after tax, NI and pension contributions).

The single claimant or couple do not have a work allowance, therefore all their earnings have the taper rate applied to them: £200 multiplied by 65% = £130. The individual's Universal Credit award will therefore be reduced by £130.

Sanctions

If a claimant has been sanctioned and currently receives less than the standard allowance, because the earnings taper applies to them the daily sanction amount is still calculated as if they were in receipt of the full standard allowance. The sanction may reduce their Universal Credit award to nil, but the claimant would still be entitled to Universal Credit and their claim remains open.

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