Self-employed earnings

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Introduction

Claimants with earnings from self-employment must self-report these each month (this includes nil earnings). This is to ensure that Universal Credit payments take into account all household earnings. Monthly reporting allows Universal Credit to be adjusted monthly and also helps claimants to keep simple records which give them a stronger hold on their business finances.

Universal Credit self-employed earnings reporting requirements are closely aligned to HM Revenue and Customs' new cash basis for small businesses. This means claimants will need to record all money when it actually comes into and goes out of their business, allowing them to keep similar records for both Universal Credit and tax self-assessment purposes.

What a claimant needs to report

The claimant is required to report all payments actually received by the business (not money owed to the business) in the assessment period, including:

- all payments for goods or services provided
- tips and gratuities

- payment in kind (vouchers, goods or non-cash items) – reported as what the claimant would usually have charged for the goods or services provided
- personal withdrawals (money taken from the business in anticipation of future profits)
- all refunds or rebates from Income Tax, VAT or National Insurance contributions
- the sale or transfer of business assets previously declared as a self-employed receipt
- certain grants and subsidies depending on whether they are treated by HMRC as taxable income

and the following categories of actual payments out of the business (not unpaid bills)
in the assessment period:

- permitted expenses (such as regular costs for rent, stock or equipment
- Flat Rate deductions (e.g. for the use of a car or home for business)
- Income Tax
- National Insurance contributions
- relievable pension contributions

All payments out of the business as detailed above, must have been incurred reasonably and must have been incurred wholly and exclusively for the use of the business. Where a cost is incurred for mixed use (business and private use) only the cost related to business use should be reported.

If the claimant has not paid out anything under any one of the categories, they must report nil deductions.

How a claimant reports self-employed earnings

Claimants who declare that they expect to have self-employed earnings will be issued with a Universal Credit self-employment guide UCDS5. The UCDS5 provides guidance on the self-employed earnings reporting process as well as information on gainfully self-employment, Minimum Income floor and Start-up period.

Self-employed claimants will receive a to-do on the last day of each assessment period to remind them, that they will not receive any payment until they report their earnings, including nil returns (if they have not already reported them).

Claimants must contact Universal Credit, on the last day of each assessment period to report earnings received from self-employment during that assessment period. Earnings from self-employment are reported over the phone and recorded on the self-employed earnings Agent Lead Process.

Claimants can’t report earnings from self-employment for any assessment period where the previous earnings report is missing. When an overlap occurs, the claimant will be required to report for the earliest assessment period for which earnings have not been reported before. This has to be done before earnings for any subsequent assessment period can be reported.

Also see:
Self-employed earnings – permitted expenses
Self-employment and gainfully self-employed
Applying the Minimum Income Floor
Self-employed start-up period

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