

Self-employed start-up period

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Start-up period introduction

It can take some time for a new business to become profitable. The Government recognises the need for claimants who are setting up a business to be given time to establish themselves and develop their business and customer base.

To support new enterprises to become profitable, newly self-employed claimants may receive a 'start-up period' of up to one year where the Minimum Income Floor (MIF) does not apply.

During this period claimants will be paid their full Universal Credit based on their circumstances and earnings. They will not be required to look for or take up other work during this period.

The intention is that claimants must develop their business in order to become less reliant on benefits.

Start-up period eligibility

A start-up period will be available to self-employed claimants in either the intensive, light touch or working enough regimes, where all of the following apply.

The claimant must:

- be considered gainfully self-employed for Universal Credit purposes
- be newly self-employed and not have been carrying on the self-employed activity (or a similar activity, for example hairdresser becoming 'stylist') for more than 12 months before the start of the assessment period in which the gateway interview takes place
- not have begun a start-up period in the 5 years prior to the start of that assessment period
- have never had a start-up apply for this trade, profession or vocation
- be taking appropriate steps to increase their earnings to the level of their individual threshold

In such cases the claimant will be exempt from the Minimum Income Floor (MIF) in order to develop their business and increase their earnings until the start-up period ends.

The information required to determine whether a start-up period is applicable is gathered using the self-employment Agent Lead Process (ALP).

Example:

Person A has been a self-employed hairdresser since July 2018 and is considered to be gainfully self-employed. Their gateway interview takes place in January 2019.

Scenario 1 – Person A has been self-employed for less than 12 months and has never previously had a start-up period.

The start-up period is applied

Scenario 2 – Person A was a self-employed stylist from December 2017 to July 2018

The start-up period is not applied as the claimant was carrying on self-employed activity that was similar in nature for more than 12 months prior to the start of Jan 2019

Scenario 3 – Person A was unemployed from December 2016 to July 2018 but immediately before that was self-employed and in a start-up period.

Start-up period is not applied as claimant began a start-up period less than 5 years before the start of January 2019.

Scenario 4 – In 2012 Person A was a self-employed personal trainer and was in a start-up period. This start-up period ended in January 2013.

Start-up period is applied because the claimant has not begun a start-up period in the 5 years prior to the start of January 2019 and their previous start-up period was for a different trade, profession or vocation.

Claimant reviews and work requirements

Claimants in the start-up period will be required to attend four quarterly meetings to check that they are still gainfully self-employed and taking appropriate steps to increase their earnings towards the level of their MIF.

Claimants will also be required to accept a revised Claimant Commitment that includes these activities.

Claimants should be made aware that at the end of the start-up period the MIF will be applied.

Claimants in the start-up period will remain in the intensive labour market regime, as earnings from self-employment are not taken into account towards meeting the Administrative Earnings Threshold (AET).

Claimants must attend their quarterly interviews and meet the conditions set out in their claimant commitment to increase their self-employed earnings. They will not be asked to look for or take up another job in this time, and will also not be required to attend any more frequently than the quarterly interviews.

Claimants can ask not to attend a quarterly interview if their earnings in each of the three previous assessment periods were above the level their MIF. A phone call will be sufficient contact to satisfy this requirement.

Claimant moves regime due to a change of circumstances

If the claimant's circumstances change and this results in them moving to a different regime, this could mean they are no longer considered to be gainfully self-employed. The start-up period will not be suspended, for example, if the claimant is unable to trade for 3 months due to illness the start-up period will not

be suspended for those 3 months. The start-up period continues to run and additional time will not be added to the original one year.

The claimant can return to the start-up period when they are again considered to be gainfully self-employed, as long as it is within the original one year start-up period. They will only continue for the balance of time remaining.

Ending the start-up period early – Claimant considered no longer gainfully self-employed

The start-up period will be ended early, if at their quarterly interview the claimant:

- is no longer considered to be gainfully self-employed
- has, without good reason, not completed the activities as stated in their Claimant Commitment to increase their earnings
- has, without good reason, not completed any appropriate alternative activities to increase their earnings

The claimant will need to attend a Work Focused Interview (WFI) and accept a claimant commitment in line with the requirements of their regime.

Their self-employment activity may be taken into account when work search requirements are set if it is agreed as an appropriate job goal.

Claimants in the working enough or the no work-related requirements regimes will not be required to undertake any work related activities if they are no longer considered to be gainfully self-employed.

If the claimant has a change of circumstances and falls into a different regime then they may no longer be considered gainfully self-employed for Universal Credit purposes.

Example – claimant no longer gainfully self-employed

Person A works from home as a self-employed piano tutor. They are considered to be gainfully self-employed and the start-up period is applied. At the second quarterly interview, person A states that they no longer have any piano students and are unable to find any others. Person A is no longer self-employed so a Work Focused Interview is arranged. Going forward, person A will be required to agree a claimant commitment and fulfil the requirements of the intensive work search regime.

Ending the start-up period early – Claimants considered not to be taking appropriate steps to increase their earnings

During the start-up period claimants who are considered to be gainfully self-employed, must take appropriate steps to increase their earnings as recorded on their Claimant Commitment. The aim is to increase the claimant's earnings to the level of or above the claimant's MIF (see MIF guidance) which will be applied when the start-up period ends.

At future quarterly interviews these steps should be reviewed and updated.

If the claimant has not taken these steps, without justification, the start-up period will end and the MIF will apply immediately.

As business needs and opportunities may have changed over the quarter, if the claimant can demonstrate that they took different but equivalent steps to increase their earnings, the Work Coach may consider this is sufficient to continue the start-up period.

Example – appropriate steps to increase earnings

Person B has a window cleaning round. At the time of their gateway interview they only had a few clients but agreed to begin advertising their business to increase the round and their earnings.

At their first quarterly interview person B announces that they have not advertised their business. Instead, by word of mouth, they found out about an opportunity to clean all the windows at a local shopping centre. This means that although they did not complete the original steps as agreed in their Claimant Commitment to increase their earnings they have different but still appropriate actions.

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