Applying the Minimum Income Floor

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Minimum Income Floor

Universal Credit can support claimants in self-employment when this is their best route to financial independence.

The Minimum Income Floor (MIF) is a minimum amount of earnings which a gainfully self-employed claimant is treated as having in an assessment period. This is based on the lowest amount a claimant with similar circumstances could be expected to earn in employment.

If a claimant’s actual earnings are below this level, their Universal Credit award is calculated using the claimants MIF.

A claimant’s MIF can change, for example, when the National Minimum Wage changes. Find out more about recalculating the MIF.

When the Minimum Income Floor Applies

The MIF applies when a claimant satisfies all of the following. The claimant is:

- in the intensive work search, light touch or working enough regimes
- considered to be gainfully self-employed
- not in a start-up period

When the Minimum Income Floor will not apply

The MIF doesn’t apply when a claimant is:

- in the work preparation, work-focused interview or no work-related requirements regimes
- not considered gainfully self-employed
- in the start-up period
- in a 6-month period after managed migration to Universal Credit

Minimum Income Floor ‘grace period’

Claimants deemed gainfully self-employed who move to Universal Credit through managed migration from other benefits will not have a MIF applied for a 6 month ‘grace period’. If they have been self-employed for less than a year, they may qualify for a start-up period in the usual way.

Claimants claiming Universal Credit as a result of a **significant** change of circumstance that ends their existing claim to legacy benefits (for example relocation) will not be eligible for a 6 month ‘grace period’ from the MIF.

These claimants may still be eligible for a 12 month start-up period but the same eligibility conditions apply as for other new claimants to Universal Credit. (See Self-employed start-up period).

Minimum Income Floor and work related requirements

Claimants who are considered gainfully self-employed and have a MIF applied will:

- be placed in the working enough regime
- have their work search or work availability requirements switched off as long as they remain gainfully self-employed

This lets them concentrate on making a success of their business and getting their self-employed earnings above their MIF.

Calculating the Minimum Income Floor

A claimant's MIF is worked out by:

1. Taking the number of hours they would be expected to look for work each week if they were not self-employed (this may vary depending on the claimant's circumstances for example if a claimant has caring responsibilities).
2. Multiply this by the national minimum wage rate for the claimant's age group.
3. Multiply the result by 52 then divide by 12. This gives a monthly figure.
4. Taking off the Income Tax and appropriate NI contributions payable on actual earnings at that level, to get an assumed net monthly income - this is the claimant's MIF.

When a single claimant's actual earnings are less than their MIF in any assessment period, they are treated as having earned income equal to their MIF amount.

Couple households

For couples:

- if one partner is gainfully self-employed and not in a start-up period, a MIF only applies to him or her and will be used for the calculation of the couple's award
- if both partners are gainfully self-employed and not in a start-up period, each will have their own MIF and these are combined for the calculation of the couple's award

Each claimant may have a different MIF.

Where the MIF applies it should not increase a household's assumed earnings above the 'maximum for a couple'.

This 'maximum for a couple' is the amount that would apply if both partners were gainfully self-employed and not in a start-up period. For example, where only one partner has a MIF, we need to calculate what their partner's MIF would have been, and combine the two amounts.

A claimant’s MIF can be reduced if their earnings are below their MIF, but the partner’s earnings plus the claimant’s MIF are above this maximum for the couple. The MIF is lowered so that when added to the partner’s actual earnings, the total earnings used to calculate the household’s award is equal to the maximum for a couple, (see example 1 below).

No MIF will apply if either of the following applies:

- the claimant earns above their own MIF level
- the couple’s combined actual earnings are above the maximum for the couple (see example 2 below)

The full MIF will apply where the claimant earns below their MIF level, and the partner’s earnings plus the claimant’s MIF are below the maximum for the couple (See example 3 below).

Example 1 – Reduced MIF, maximum for a couple applies (all figures are illustrative):

The maximum for the couple = £1800 (Adult A MIF + Adult B MIF (if they were self-employed) (£900+£900 = £1800)
Adult A is gainfully self-employed and their MIF is £900 but actual net earnings are £400 (earning below their MIF).
Adult B is employed, earning £1000 net.
Adult A MIF + Adult B earnings are above maximum for the couple (£900 + £1000 = £1900).
So Adult A MIF is calculated as the maximum for the couple minus adult B earnings (£1800 - £1000 = £800 MIF).
The combined earnings used for the Universal Credit award calculation are a reduced MIF £800 + £1000 partner’s earnings = £1800.

Example 2 – No MIF, maximum for a couple does not apply:

The maximum for the couple = £1800
Adult A is gainfully self-employed, their MIF is £900 but actual net earnings are £400.
Adult B is employed and has net earnings of £1600.
Adult A earns below their MIF **but**
Adult A earnings plus Adult B earnings are above maximum for the couple (£400 + £1600 = £2,000).
Therefor the combined actual net earnings used for the Universal Credit award calculation are £2,000 and no MIF applies.

Example 3 – Full MIF applies, maximum for a couple does not apply:

The maximum for the couple = £1800
Adult A is gainfully self-employed, their MIF is £900 but actual earnings are £400 (earning below their MIF)
Adult B is employed, and has net earnings of £500
Adult A MIF plus Adult B earnings are below the maximum for the couple (£900 + £500 = £1400)
Therefor the combined earnings for the Universal Credit award calculation are the full MIF £900 + £500 partner's earnings = £1400

When to recalculate the Minimum Income Floor

The MIF will change as the National Minimum and Living Wages increase. It can also increase or decrease if there are any changes to a claimant's expected hours of work.

The claimant's MIF amount must be recalculated when:

- there's a change to the National Minimum or Living Wage (each April)
- the claimant moves into a different age bracket for the National Minimum or Living wage
- the number of hours they're expected to look for work each week changes, for example, due to changes to caring responsibilities, health conditions, regimes or when their youngest child reaches 5 and 13, (see Work related requirements for claimants with children)

Also see Periods of sickness and self-employment

In some cases the MIF may increase, for example a child reaching 13. The claimant should be seen 2 to 3 months before it increases, in order to give the claimant time to increase their earnings before the new MIF level is set.

The MIF will no longer be applied if a claimant moves into one of the following work groups, as they are no longer treated as gainfully self-employed:

- work preparation
- work focused interview
- no work related requirements

Self-employed claimants who move from any of the above groups to the all work-related requirements group will be subject to the GSE test. If they are found to be GSE the MIF or start-up period will apply.

New Enterprise Allowance 2017 - Support for claimants not reaching their MIF

Existing self-employed claimants, who have a MIF applied, are eligible for referral to New Enterprise Allowance 2017 (NEA 2017) if they fall below their MIF in any assessment period.
NEA 2017 supports self-employed claimants through business mentoring for 0 - 6 months and includes:

- initial assessment by the provider within 10 working days of the referral date
- a minimum of 3 mentoring sessions over the 12 weeks
- additional workshops, for example on financial planning and marketing support
- developing a Business Development and Growth Plan to help improve the claimants self-employed earnings to above their MIF

Once the Business Development and Growth Plan has been assessed the claimant will receive 12 months business support.

The claimant must decide whether they wish to be referred to NEA if eligible (see New Enterprise Allowance).

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