

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

Universal Credit has a single “Earnings Taper” rate of 63%. 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 63%.

If a claimant does not have a work allowance, all their earnings are multiplied by the taper rate of 63%. 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 63p.

Sanctions

If a claimant has been sanctioned and receives less than the standard allowance, because of the taper, 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 the claim would remain open.

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