

Work Allowance and Earnings Taper rate – calculating earnings

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Calculating the amount of earnings

All earned income - including self-employed earnings, benefits treated as earnings and earnings relating to an ineligible partner, are taken into account in the assessment period when determining entitlement to Universal Credit.

For information on reporting earnings, see Real Time Information and Self-reported earnings.

Work Allowance

The Work Allowance is the amount some households are allowed to earn before the amount of Universal Credit they receive is affected.

To be eligible for the Work Allowance the claimant or partner must either have:

- responsibility for a child or qualifying young adult
- have Limited Capability for Work or Limited Capability for Work and Work Related Activity

Foster carers are not treated as responsible for a child and as such are not entitled to a Work Allowance in Universal Credit.

There are two set levels of Work Allowance used in the calculation of earnings in an assessment period:

- higher amount set at £512 (as from 6 April 2020) when no housing costs are applicable
- lower amount set at £292 (as from 6 April 2020) when housing costs are included in the Universal Credit award or the claimant is receiving Housing Benefit as their accommodation is temporary or specified.

A change in the Work Allowance rate is treated in the same way as other changes of circumstances. The Work Allowance rate at the end of the assessment period is the one that applies for the whole assessment period.

For information - the rates of the Work Allowance from April 2019 to March 2020 were as follows:

- higher amount - £503.00
- lower amount - £287.00

The Work Allowance is deducted before the Earnings Taper rate is applied.

Earnings Taper rate

The Earnings Taper is the rate at which Universal Credit will gradually reduce as earnings increase. The Earnings Taper rate is 63%.

Only earnings above the Work Allowance level are subject to the Earnings Taper rate.

Earnings or where eligible, earnings above the Work Allowance rate, are multiplied by 63% to give an amount to be taken into account against the Universal Credit award.

Trade disputes

If a claimant is involved in a trade dispute, the level of earnings taken into account is the amount the claimant would have received if they had not been involved in the dispute.

Unreimbursed work expenses

When a claimant is working or starts work, they may have some one-off costs to pay that their employer will not reimburse them for. This might be for a uniform, travel, licenses or equipment etc.

These unreimbursed work expenses may be offset against the claimant's Universal Credit payment.