Applying Minimum income floor

Contents

Minimum income floor

The minimum income floor is an assumed level of earnings a gainfully self-employed claimant is assumed to earn if they were in employment. It is based on the national minimum wage for their age, including the national living wage for a person aged 25 and over.

When earnings are below the assumed level, Universal Credit is calculated using the minimum income floor. When earnings are above the assumed level, the earnings are used to calculate Universal Credit.

The minimum income floor applies to each individual in the benefit unit who is deemed gainfully self-employed at a Gateway Interview and not in a Self-employed Start-up Period or a 6 month period following a move to Universal Credit.

As long as they remain gainfully self-employed and a minimum income floor is applied, a claimant is not subject to any work search or work availability requirements.

Discretion that can be applied to the Minimum Income Floor from 1 August 2021 until 31 July 2022

Some businesses may not be able to operate at full capacity as a result of restrictions resulting from COVID-19 outbreak. This may be indicated by recent earnings information, or by recent use of the Self-Employed Income Support Scheme (SEISS) grant. Other factors that are discussed in the gateway interview may also be considered.

If the business cannot operate at full capacity discretion can be used to temporarily suspend the minimum income floor (MIF).

Each temporary suspension must be for two assessment periods (Aps) at a time. Discretion to temporarily suspend can be applied a maximum of 3 times up until 31 July 2022. These periods of discretion do not need to be applied consecutively.

The first period of the suspension starts from the first day of the assessment period following the date the gainfully self-employed decision is made.

A review is needed every time discretion is applied.

A case conference is needed before the third discretion can be applied.

The Minimum Income Floor level

The minimum income floor level is the number of hours a claimant can be expected to look for and be available for work each week multiplied by the National Minimum Wage (NMW) their age or National Living Wage (NLW) for those aged 25 or over.

Notional tax and National Insurance payable on actual earnings is applied to produce a net earnings figure.

The minimum income floor level must be reviewed if:

- a claimant’s expected hours of work search and / or availability changes
- there are changes to the NMW / NLW, annual uprating
- a claimant moves into a different age band for the NMW/NLW~~.~~

If a claimant earns below their minimum income floor level in any assessment period, voluntary support is offered from New Enterprise Allowance (NEA).

Claimants who also work Pay as You Earn

When a claimant works both self-employed and employed, their Universal Credit is calculated using their combined earnings. The Pay as You Earn (PAYE) earnings are added to the reported self-employed earnings and the total taken into account or any applicable minimum income floor, whichever is higher.

The Pay as You Earn work hours are not taken into account when setting the minimum income floor.

Couple households

In couple households where one partner is gainfully self-employed, a minimum income floor is applied to that individual. Where both partners are gainfully self-employed a minimum income floor is applied separately and combined for the calculation of the Universal Credit award.

Conditionality threshold for a couple

The minimum income floor (MIF) and earnings, combined earnings for a couple, must not increase the conditionality threshold for a couple.

Where their combined earnings or their partner's earnings are above the threshold, no MIF is applied as the earnings are greater than the threshold.

Where their combined earnings are below the threshold but the earnings of the adult subject to the MIF are below the MIF level, the MIF is applied. Universal Credit is calculated using the MIF and earnings, of the other adult.

When a MIF and earnings (of the other adult) are above the threshold, the MIF is reduced to a level where the MIF and earnings equal the threshold. Universal Credit is calculated using the earnings and the reduced MIF (threshold level).

For examples on the MIF, see - The minimum income floor H4060-H4099.

Move to Universal Credit

Between July 2019 and 2023, the final phase of Universal Credit roll out will take place. During this phase, the Department will move all remaining claimants on certain legacy benefits to Universal Credit. This is known as Move to Universal Credit.

The Move to Universal Credit process and claimant journey will be tested, initially as part of a small scale pilot. The pilot will run from July 2019 for approximately 18 months. Testing will tell us what support or information claimants need to help them move to Universal Credit successfully.

Where self-employed claimants on the pilot are moved to Universal Credit and are found to be gainfully self-employed, they will be allowed to enter the 12 month Start-Up period and will not have the minimum income floor applied to their Universal Credit award until this period has ended.

This also includes benefit claimants who were not gainfully self-employed when they moved to Universal Credit but were found to be gainfully self-employed at a later point. Once the Start-Up period ends, the Universal credit claimant would be subject to the minimum income floor and the overall Universal Credit award which may include Transitional Protection, would be reduced accordingly.