Applying Minimum income floor

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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.

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.

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.

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

Where a couple’s combined earnings exceed the couple’s conditionality threshold, no MIF is applied as the earnings are greater than the threshold. Universal Credit is calculated using their combined earnings.

Where a couple’s combined earnings are below the threshold and the earnings of the claimant subject to the MIF are less than the MIF level, the MIF is applied. However, the MIF and the partner earnings must never exceed the couple’s threshold.

If the MIF and the partner’s earnings are below the couple’s threshold, then Universal Credit is calculated using the MIF and the partners earnings.

If the MIF and the partner’s earnings are above the couple’s threshold, the MIF is reduced to a level where the MIF and the partner’s earnings equal the couple’s threshold. Universal Credit is calculated using the reduced MIF and the partner earnings, which equal the couple’s threshold.

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