Work Allowance and Earnings Taper rate – calculating earnings

Contents

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 relevant 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 person (see Who is responsible for a Child)
- Limited Capability for Work or Limited Capability for Work and Work Related Activity

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

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

Work Allowance rates	If the assessment period ends before 24 November 2021	If the assessment period ends on or after 24 November 2021	2022-2023	2023-2024
Higher amount when no housing costs are applicable	£515.00	£557.00	£573.00	£631.00
Lower amount when housing costs are included in the Universal Credit award or the claimant is receiving Housing Benefit as their accommodation is temporary or specified.	£293.00	£335.00	£344.00	£379.00

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.

When the Work Allowance rate changes due to uprating (the first Monday following 6 April), the increase takes effect from the assessment period that starts on or after the day the uprating occurs.

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% if the assessment period ends before 24 November 2021. When the assessment period ends on or after the 24 November 2021, the Earnings Taper rate will drop to 55%.

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% or 55% (for assessment periods ending on or after 24 November 2021) 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.