

Applying the Minimum Income Floor

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Introduction

The Minimum Income Floor (MIF) is the minimum amount a gainfully self-employed claimant is treated as having earned each month when calculating their Universal Credit payment.

When self-employed earnings are below the level of the MIF, Universal Credit is calculated using the MIF. When self-employed earnings are above the MIF, the claimants actual earnings are used to calculate Universal Credit.

The MIF applies to each individual in the benefit unit who is deemed to be gainfully self-employed at a Gateway Interview and is not in a Self-employed Start-up Period.

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

Minimum Income Floor level

The MIF level is equivalent to what a person in employed work in similar circumstances to the claimant, could expect to earn at minimum wage.

It is calculated using 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) for their age or, the National Living Wage (NLW) for those aged 21 or over.

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

The level of the MIF should be tailored to reflect the claimants' circumstances, for example the claimant is a lead carer of a child aged 3-12.

For more information, see Gainfully self-employed lead carers with youngest child aged 3-12 (increase in expected hours)

When the Minimum Income Floor starts

The MIF will apply from the beginning of the assessment period in which the gainful self-employment decision is made, or from the beginning of the first assessment period in which the start-up period ends.

For more information, see Self-employed and gainfully self-employed.

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 MIF, whichever is higher.

The PAYE work hours are not taken into account when setting the MIF.

Couple households

In couple households where one partner is gainfully self-employed, a MIF is applied to that individual.

Where both partners are gainfully self-employed, a MIF is applied separately and combined for the calculation of the Universal Credit award.

Conditionality Earnings threshold for a couple

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

If 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, 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 of the MIF, see The minimum income floor H4060-H4099.

Reviewing the Minimum Income Floor

The MIF must be reviewed when a change of circumstances occurs, for example:

- the claimant moves into a different age band for the National Minimum or Living Wage
- the number or hours of work search and/or availability changes (for example, changes to caring responsibilities or health conditions)
- the self-employed person is the lead carer and their youngest child reaches the age of 3 or 13

To review the level of the MIF, the claimant may be required to attend a Self-employment Review interview and this can be booked:

- face-to face (for example, if the claimant is required to provide documentary evidence and work commitments permit)
- by telephone
- by video (if the claimant has the required equipment and internet access)