

The differences between Universal Credit and legacy benefits

Introduction

New claims can no longer be made to any of the six migrating legacy benefits. Only those living in Temporary or Specified Accommodation can claim housing benefit.

Move to Universal Credit claimants will still be receiving a combination of these benefits until:

- the deadline date on their Migration Notice
- they make their Universal Credit claim

This product is to support agents in understanding the key differences between Universal Credit and legacy benefits.

Agents may take queries from people receiving any of the following benefits:

- Income Support
- Jobseeker's Allowance
- Employment and Support Allowance
- Working Tax Credit
- Child Tax Credit
- Housing Benefit
- Universal Credit

Agents may also receive questions on specific subjects:

- Capital
- Earnings and working hours
- Looking for work
- Education
- Benefit Cap
- Support for Mortgage Interest (SMI)
- Additional Support
- Migration notice, as part of Move to Universal Credit (managed migration)
- Self-employment: Tax Credits and Universal Credit

Benefits

Income Support

Income Support is for people who are not currently able to look for work because they are:

- a lone parent with a young child

- on parental or paternity leave
- a carer
- a refugee learning English who arrived less than a year ago
- a young person in relevant education

There are now no new claims to legacy Income Support. For further information refer to [Income Support: If you already get Income Support](#).

Jobseeker's Allowance

Jobseeker's Allowance (JSA) is a benefit paid to people who are unemployed or working but have low earnings.

There are currently two types of legacy JSA:

- income-based, (means tested) is paid when the claimant has not paid enough National Insurance contributions, see [Jobseeker's Allowance: If you're getting income-based Jobseeker's Allowance on GOV.UK](#)
- contribution-based, (not means tested) is paid if the claimant paid enough National Insurance contributions while they were working

Contribution-based JSA is paid for up to 6 months, to claimants who have paid enough National Insurance contributions while they were working. Contributions-based JSA is being replaced by New Style Jobseeker's Allowance which works in the same way. See: [New Style benefits: Guidance](#).

Contribution-based benefits are not included in Move to Universal Credit (managed migration).

Claimants on income-based JSA subject to Move to Universal Credit (managed migration), will stop receiving it.

Jobseeker's Allowance claimants must follow the terms of their Claimant Commitment in the same way as those claiming Universal Credit.

For a general overview see [Jobseeker's Allowance on GOV.UK](#).

Employment and Support Allowance

It is a benefit to support people who cannot work or find it difficult to work because of illness or a disability.

There are two types of legacy Employment and Support Allowance (ESA):

1. Income-related ESA (means tested) is paid when the claimant has not paid enough National Insurance contributions.
2. Contribution-based ESA (not means tested) is paid if the claimant paid enough National Insurance contributions while they were working.

Contribution-based benefits are not included in Move to Universal Credit (managed migration).

Refer to legacy Employment and Support Allowance (ESA) which includes: what it is, its eligibility, information on the two types, special rules and features.

Claimants on income-related Employment and Support Allowance, subject to Move to Universal Credit (managed migration), will stop receiving those benefits but continue to be entitled to any contribution-based Employment and Support Allowance which is in payment.

In addition, they can make a new claim to contribution-based benefits following the Move to Universal Credit.

Refer to [New Style Employment and Support Allowance \(ESA\): Overview on GOV.UK](#) which includes: what it is and its eligibility.

Universal Credit

Refer to the All about Universal Credit: Guidance. This includes what it is, what it offers, couple claims, claimant responsibilities and commitments, claim management, the journal, to-do lists, payments, benefit cap, earnings taper, sanctions and reconsideration, guidance and post.

Working Tax Credit

Working Tax Credit is paid to people on a low income who work for at least 16 hours a week.

When claimants migrate to Universal Credit their tax credits will end and support will be provided through Universal Credit.

For further information refer to, [Working Tax credit on GOV.UK](#); [How tax credits and other benefits affect each other on GOV.UK](#)

Child Tax Credit

Child Tax Credits help people with the cost of bringing up a child.

When claimants migrate to Universal Credit the child tax credits will end and support for children will be paid through Universal Credit.

For further information refer to, [Child Tax Credit on Gov.UK](#) and [How tax credits and other benefits affect each other on GOV.UK](#).

Housing Benefit

Housing Benefit helps people who are, on a low income to pay their rent and is assessed on a weekly basis. It can pay for all or part of their rent.

See [Housing Benefit: What you will Get on GOV.UK](#) which explains the income and the circumstances which decide how much is paid, for support with their housing costs.

Universal Credit claimants living in specified or temporary accommodation will continue receive housing costs support through Housing Benefit following a Move to Universal Credit (managed migration).

The way Housing Benefit is paid (by the local authority) depends on the type of tenancy.

If the claimant is a:

- council tenant, it is paid weekly in advance into their landlord housing rent account and never to the claimant
- private or housing association tenant, it is paid into the claimants' bank or building society account, fortnightly in arrears, or direct to the landlord four weekly in arrears

Capital

For a definition of Capital, how it affects legacy benefits, disregards and deprivation of capital see, Capital.

Universal Credit

For guidance on capital and Universal Credit refer to both the Introduction and Capital Limits sections of the Treatment of capital guidance.

Income Support

For further information refer to the following page: [Income Support and Capital](#).

Income-based Jobseeker's Allowance

Income-based Jobseeker's Allowance is means tested. This means any income or capital the claimant has, affects the amount payable. Refer to [The effect of capital on Jobseeker's Allowance](#).

For further information refer to [Capital: queries and help](#).

Employment and Support Allowance

Income-related Employment and Support Allowance is means tested so any capital the claimant has affects the amount payable. See [Savings and Investments](#).

The partner's income does not affect contribution-based Employment and Support Allowance, but is taken into account for income-related Employment and Support Allowance, see the [Incompatible Benefits Claimed / in Payment to a Partner](#) section of [What is ESA](#), effect on other benefits and the effect of time limiting on dual entitlement.

Tax Credits

There is no limit on how much capital or savings a person can have. How much capital a claimant has does not affect the amount of Tax credits paid and there will be no deductions taken from their payment.

Housing Benefit

Claimants in receipt Housing Benefit, have the same capital rules applied to their claim as income support claimants. See Income Support and Capital.

Earnings and working hours

Universal Credit

Universal Credit does not limit the number of hours a claimant can work.

Universal Credit is paid to people in or out of work, and claimants (or their partner) can work any number of hours and still qualify.

Claimants can take temporary jobs without having to make a new claim, and Universal Credit will support them when they are between jobs.

A claimant's earnings are taken into account when calculating their Universal Credit. See the Calculating the amount of earnings section in Work Allowance and Earnings Taper rate: calculating earnings: Guidance.

As a claimant's earnings increase, Universal Credit payments will decrease. This is known as the Earnings Taper. Once earnings reach a certain level, Universal Credit payments will stop.

For further information see: Treatment of earnings.

Income-based Jobseeker's Allowance

Most claimants can work up to 16 hours per week.

However, if the claimants partner does any of the following:

- starts working 24 hours or more a week
- increases their hours to 24 hours or more a week or
- the claimant savings increase to £16,000 or more (including their partner's savings)

they may stop being eligible for income-based Jobseeker's Allowance.

Income-related Employment and Support Allowance

Generally, people claiming Employment and Support Allowance (ESA) cannot work.

However, claimants receiving ESA because of an illness or injury may be able to do some types of work within certain limits. This is called 'permitted work'.

Housing Benefit

Housing benefit is available to those in and out of work. However, any income received by the claimant, could affect the amount of Housing Benefit awarded. The more they earn, the less Housing Benefit they are likely to receive.

For further information refer to [Housing Benefit: What you will get on GOV.UK](#)

Tax Credits

The amount of Tax Credits received is usually based on annual taxable income and the size of the family.

If the claimant has a partner, their joint income is taken into account.

To be eligible for Working Tax Credit, a claimant must be working a minimum number of hours each week. Depending on their age, number of children they have, and whether they have a disability, the minimum number of hours could range from 16 to 30. See [Working Tax Credits: hours you work on GOV.UK](#)

Looking for work

Universal Credit:

Claimants must meet work-related requirements, as set out in their claimant commitment.

These are activities undertaken by the claimant, which are reasonable and right for their individual circumstances, for the purpose of obtaining:

- paid work
- more paid work
- better paid work

Claimants are required to meet the expected hours of work detailed in their agreed Claimant Commitment and provide evidence of what they have done to look for work. See: Claimant commitment overview; [Universal Credit: Your Claimant commitment on GOV.UK](#) and the Work search activities: Evidence section.

Jobseeker's Allowance

Claimants must take reasonable steps to look for work.

The steps are agreed with the work coach and included in the claimant commitment.

The claimant commitment will be tailored to the claimant's circumstances.

For further information refer to [Jobseeker's Allowance \(JSA\): eligibility](#) and Jobseekers Allowance: [How it works: what you need to do](#) both links are on GOV.UK.

Employment and Support Allowance

Claimants in a work-related activity group, who cannot work now but could in the future, may have to undertake some work-related preparation activities.

They will attend regular interviews, and be supported to improve their skills or write a CV.

For further information refer to the legacy Employment Support Allowance: what is Employment Support Allowance section or the How it works section of [New Style Jobseekers Allowance \(JSA\) on Gov.UK](#).

Education

Claimants who receive any of the following benefits, as well as a grant or loan, may have the amount of benefit they receive reduced.

Universal Credit

Universal Credit claimants should not be receiving full time education.

The following are not treated as being in education, if they are still able to meet any work-related requirements placed upon them:

- part-time course
- full-time course non-advanced / vocational study or training without the provision of a loan or grant for maintenance

This list is not exhaustive, other exemptions are listed in the Students: Eligibility, conditionality and student income, under eligibility.

Move to Universal Credit claimants already in full-time education, on their legacy benefit, are only eligible while they stay on the course they were on when they claimed Universal Credit initially. See also [Universal Credit and students on GOV.UK](#)

Jobseeker's Allowance

People undertaking a full time course of study or training are not normally entitled to Jobseeker's Allowance.

Exceptions to this in legacy Jobseeker's Allowance occur when they are:

- a lone parent
- attending a Department for Work and Pensions (DWP) related course or scheme for a limited period

See Full-time Students entitled to Jobseeker's Allowance.

Income-related Employment and Support Allowance

One of the conditions of entitlement to income-related Employment and Support Allowance is that claimants are not receiving full time education.

The exceptions to this are:

- disabled students who are entitled to DLA / PIP / ADP
- claimants who must attend a course of study as part of a requirement to undertake Work Related Activity (WRA)

All ESA claimants can take part in part-time study. For further information see Students and Education.

Tax Credits

Students who are responsible for a child or young person can claim Working Tax Credit if, they are aged 16 or over, work at least 16 (or in some cases 24) hours a week and already received Child Tax Credits. See the eligibility section of Working Tax Credits and Tax Credit Instructions.

Child Tax Credit payments can continue for a 16 to 19 year olds on a course of non-advanced education, that averages more than 12 hours supervised study a week. See [Child Tax Credit when your child reaches 16 on GOV.UK](#).

Housing Benefit

People may receive [Housing Benefit](#) while studying.

The amount of housing Benefit received always reduces if the person is under 66, and in receipt of student support in the form of a grant or loan.

However, they will receive their maximum entitlement to Housing Benefit if they are also in receipt of:

- Income Support
- income-based Jobseeker's Allowance
- [income-related Employment and Support Allowance](#)

Benefit cap

The benefit cap is a limit on the total amount of working age benefit a household can get and is applied through Universal Credit or Housing benefit.

It applies to most people of working age.

The benefit cap affects:

- Universal Credit, see the Benefit Cap guidance
- Child Tax Credit
- Employment and Support Allowance
- Housing Benefit

- Income Support
- Jobseeker's Allowance

This list is not exhaustive, see: [Benefit cap](#)

Exemptions

Information on when households are not affected by the benefit cap, is available in the '[When you are not affected](#)' section of the Benefit Cap guidance on GOV.UK.

Support for Mortgage Interest (SMI)

Support for Mortgage Interest (SMI) is a loan not a benefit. It can help towards interest payments on mortgages or loans, which were used for certain repairs and improvements to their home.

For further information refer to, Support for Mortgage Interest, further information can also be found on [Support for Mortgage Interest on GOV.UK](#).

Universal Credit

Support for Mortgage Interest is only paid to universal credit claimants when:

- Universal Credit must be in payment for three months or
- the claimant has moved to Universal Credit within a month of another benefit ending and they received that benefit for 3 months

Support for Mortgage Interest loan run-on does not apply to Universal Credit. See: [Mortgages](#).

Income Support, Jobseeker's Allowance and Employment and Support Allowance

Support for Mortgage Interest (SMI) loans are not payable until, Income Support, income-based Jobseeker's Allowance or income-related Employment and Support Allowance have been in payment for 39 weeks.

If the claimant or their partners entitlement to Income Support, income-based Jobseeker's Allowance or income-related Employment and Support Allowance stops because they start full time work, they may qualify for Mortgage Interest run-on for four weeks See [Mortgage Interest Run-on on GOV.UK](#).

Additional Support

For further information on passported benefits and help with health costs, penalty charges, free school meals, healthy start and Council tax for claimants moving to Universal credit, refer to the Differences in additional support for Universal Credit claimants compared to legacy benefits under Move to Universal Credit (managed migration).

Migration notice

For more information on Move to Universal Credit, see:

- Move to Universal Credit (managed migration) guidance
- Transitional Protection part of Move to Universal Credit (managed migration)
- The 'Migration Notice' section of Claimant queries and support in Move to Universal Credit (managed migration)

Self-employment: Tax Credits and Universal Credit

There are several differences between the tax credits system and Universal Credit system in the treatment of claimants who are self-employed.

Many of these differences will mean claimants familiar with tax credits will need to pay close attention to the Universal Credit rules, to ensure they receive the correct award.

The table below outlines the main distinctions between Tax credits and Universal credit.

The item which is different for each of the types of Credit	Tax Credits	Universal Credit
Reporting	<p>Report a relevant change of circumstances.</p> <p>See 'Deadlines for reporting' and 'Other changes you should report' in 'Report changes that affect your tax credits' on GOV.UK.</p>	<p>Individuals must declare their self-employment and attend a gateway interview.</p> <p>See the 'Self-employed Gateway Interview' in the guidance. Also, Reporting that you're self-employed', the interview and 'What you need to bring' in Claiming Universal Credit when you are self-employed on GOV.UK.</p>
Reporting self-employed earnings	<p>Usually, Tax credits are based on annual income for the last tax year (April to April). This is reported annually, before 31 January, after the end of the tax year (it is optional and can be done more often if there are wide fluctuations expected to the figures already held).</p>	<p>Universal Credit is based on how much someone has earned in the monthly Assessment Period.</p> <p>Claimants must report their income and expenses at the end of each Assessment Period.</p> <p>The claimant has 7 days to report their income and expenses from the</p>

		<p>last day of their assessment period if they are to ensure they are paid on time.</p> <p>See, How a claimant reports self-employed earnings and 'How your earnings affect your payments section of Universal Credit and earnings on GOV.UK.</p>
Contact	<p>The annual review process is completed once a year (online or by post or phone).</p>	<p>The frequency of ongoing appointments with the work coach, is dependent on the outcome of the initial Gateway interview and whether or not the claimant is considered gainfully self-employed.</p> <p>See Self Employed and gainfully self-employed.</p> <p>Self-employed claimants must attend an initial interview and demonstrate that self-employment is their main employment, and it is organised, regular, developed and done in expectation of profit.</p>
Minimum Income Floor (MIF)	<p>Only actual income earned, and calculated annually, is considered as trading income and losses are taken into account.</p> <p>See How to claim Tax Credits section on What counts as income on GOV.UK.</p>	<p>If the monthly income is below the gainfully self-employed claimants MIF (including where the business makes a loss) then the MIF is used to calculate the Universal credit award (after the 12-month start-up period).</p> <p>See guidance on: Applying the Minimum Income Floor. and Gainfully self-employed lead carers with youngest child aged 3-12 (increase in expected hours): Guidance also Couple claims with the minimum Income Floor.</p>

Accounting method.	Businesses can choose to report their annual accounts using either the simplified cash basis accounting or the 'accruals basis' (which is the generally accepted form of accountancy practice).	Self-employed claimants must attend an initial interview and demonstrate that self-employment is their main employment, and it is organised, regular, developed and done in expectation of profit.
Income receipts	<p>Income receipts do not include refunds of income tax and national insurance.</p> <p>See, Working out your income for Tax Credit claim and renewals: Income from self-employment on GOV.UK.</p>	<p>Income receipts include refunds of income tax, national insurance, and VAT.</p> <p>See, What a claimant needs to report.</p>
Treatment of losses	Losses can be offset against the total household income in the first year and any remaining loss not used up this way can be offset against income from the same trade or profession in later years.	<p>The claimant can carry forward losses reported in any assessment period to future assessment periods.</p> <p>See the Self-employed earnings – losses guidance.</p>
Allowable expenses	<p>Interest on business loans are allowable expenses.</p> <p>The actual costs of purchasing and running a motor car; are allowable expenses.</p>	<p>Interest on business loans is an allowable expense, but only up to £41 in any assessment period</p> <p>The actual costs of purchasing and running a motor car are not allowable expenses.</p> <p>Instead, an amount can be deducted based on mileage, these are allowable expenses.</p>
	Reasonable Business entertainment expenses are allowable expenses.	Business entertainment expenses are not allowable expenses.

	<p>Income Tax and National Insurance are not allowable expenses.</p> <p>See Self-employed earnings: permitted expenses: Guidance and 'Income from employment section' of 'Tax Credits: Working out you income for tax credit claims and renewals' on GOV.UK</p>	<p>Income Tax and National Insurance are allowable expenses within the monthly assessment period in which they are paid.</p> <p>Only expenses which are reasonably incurred are allowable.</p> <p>See Self-employed earnings, permitted expenses and Business expenses you can report to Universal Credit if you are self-employed on GOV.UK</p>
--	--	--