



Benefits and Financial Inclusion Update — Budget 21/22

This update details the benefit and financial inclusion changes that were announced in the budget of the 3rd March 2021

Universal Credit

Maintain £20 per week increase to standard allowance for six months

The government is extending the temporary £20 per week increase to the Universal Credit standard allowance which was due to end in April 2021, for a further six months in Great Britain, on top of the planned uprating. This measure will apply to all new and existing Universal Credit claimants.

Three month delay to the Minimum Income Floor reintroduction

The Minimum Income Floor (MIF) is an assumed minimum level of earnings for self-employed Universal Credit claimants, and is set at the equivalent of the hours a claimant would be expected to work at the National Living Wage for their age group (typically 35 hours per week).

If a claimant's monthly self-employed earnings are below the level of the MIF, their monthly Universal Credit award will be calculated using their assumed MIF, instead of their actual earnings. If their earnings are above the MIF, their award will be calculated using their actual earnings.

The government temporarily suspended the MIF due to the impact of Coronavirus, meaning claimants' actual earnings are used to calculate their awards. The suspension is now continued until the end of July 2021.

The MIF will be gradually reintroduced from August, but DWP work coaches will be given discretion to not apply it on an individual basis where they assess that claimants' earnings continue to be affected by COVID-19 restrictions.

Universal Credit surplus earnings 'de minimis' threshold

In Universal Credit, a claimant's 'surplus earnings' (earnings in excess of the level of earnings that would result in a Universal Credit award of £0) in a given month can be carried forward, reducing the level of their award for up to six further months.

This is a very complicated rule and due to the difficulty in implementing this rule, every year since 2018 when this rule was brought in (after being delayed from 2016) this 'de minimis' or buffer has been set at £2,500 instead of the planned £300. At every budget since the introduction the Government have announced that the higher threshold will continue for another year. The lower £300 figure has never been implemented so far and if it is in the future it will impact on various situations including seasonal workers, people taking on temporary extra hours, people who are paid four weekly etc.

This budget is no exception and the Government have announced that they will maintain the higher surplus earnings threshold of £2,500 for Universal Credit claimants for a further year until April 2022, when the threshold will revert to £300.

Maximum rate of deductions and period of advance payment repayments

From April 2021, the period over which Universal Credit advances will be recovered will increase to 24 months, while the maximum rate at which deductions can be made from a Universal Credit award will reduce from 30% to 25% of the standard allowance.

This is a bringing forward the start of previously announced change from October 2021 to April 2021.

Universal Credit and Housing Benefit

Exemptions to the Shared Accommodation Rate

From June 2021, care leavers up to the age of 25 and those under the age of 25 who have spent at least three months in a homeless hostel will be exempt from the Shared Accommodation Rate of the Local Housing Allowance in Universal Credit and Housing Benefit, helping more vulnerable people access suitable housing. These measures were previously due to be implemented from October 2023.

The budget does not include victims of domestic violence and modern slavery under 35, as also being part of this bringing forward of the change and therefore we assume that (unless other exemptions will apply to the individual), this group of vulnerable people will continue to be restricted to the lower Shared Accommodation Rate of the Local Housing Allowance for private rented tenants until October 2023.

Working Tax Credit

Additional £20pw Working Tax Credit

The additional £20pw Working Tax Credit uplift will end at the beginning of April 2021 unlike Universal Credit. Instead there will be a one-off payment of £500 during April to eligible Working Tax Credit claimants across the UK.

To be eligible for this payment you must have the working tax credit element included in the calculation of your award of maximum tax credits and be entitled on the 2nd March 2021.

These payments are not counted as income for other means tested benefits.

Relaxation in Working Tax Credit hours requirement

The relaxation of the minimum hours required to work to qualify for Working Tax Credit has been extended in line with the Job Retention Scheme until the end of September. This means that if hours of employment have been temporarily reduced due to COVID-19 and the minimum number of hours expected to work are not met, entitlement to working tax credit remains. This will not apply if you lose your job, are made redundant or cease trading.

Job Retention Scheme (furlough)

The Job Retention Scheme is being extended for a further five months from May until the end of September 2021. Employees will continue to receive 80% of their current salary, capped at £2,500 per month, for hours not worked. Flexibility in furlough will continue, so employees can be paid as usual for the hours actually worked and be covered by the Job Retention Scheme for the rest of their usual hours that they are furloughed for.

There will be no employer contributions beyond National Insurance contributions and pensions required in April, May and June. From July, the government will introduce an employer contribution towards the cost of unworked hours of 10% in July, 20% in August and 20% in September, as the economy reopens.

Self-Employment Income Support Scheme (SEISS)

The period covered by the third SEISS covered support for self-employed people until the end of January 2021. The budget announced that there will now be two further grants and eligibility for these has been extended to include self-employed people who have filed a 2019/20 Self-Assessment tax return and will therefore cover the more recently self-employed (previously you needed to have filed a 2018/19 tax return to qualify).

SEISS fourth grant

The budget confirms that the fourth SEISS grant will be worth 80% of three months' average trading profits, paid out in a single instalment and capped at £7,500 in total. The grant will cover the period February to April, and can be claimed from late April. Self-employed individuals must to be eligible for the fourth grant.

SEISS fifth grant

More limited details have been given about the fifth and final SEISS grant covering May to September. The value of the grant will be determined by a turnover test, to ensure that support is targeted at those who need it the most as the economy reopens. People whose turnover has fallen by 30% or more will continue to receive the full grant worth 80% of three months' average trading profits, capped at £7,500. People whose turnover has fallen by less than 30% will receive a 30% grant, capped at £2,850. The final grant can be claimed from late July. Further details will be published in due course. The fifth grant will require a Financial Impact Declaration that determines whether applicants are eligible for either a higher or lower grant amount based on how much their turnover has reduced in the year April 2020 to April 2021.

Income Tax

Personal Allowance and higher rate threshold

The income tax Personal Allowance will rise with CPI as planned to £12,570 from April 2021 and will remain at this level until April 2026. The higher rate threshold will

rise as planned to £50,270 from April 2021 and will remain at this level until April 2026.

This means that from April 2022 until April 2026 the income tax thresholds will not rise with inflation.

National Insurance contributions thresholds

In 2021-22 the National Insurance Contributions (NICs) thresholds will rise with CPI, bringing the NICs Primary Threshold/Lower Profits Limit to £9,568pa. The Upper Earnings Limit/Upper Profits Limit will rise to £50,270, in line with the income tax higher rate threshold and then remain aligned with this £50,270 until April 2026.

The primary threshold is the income level when you start paying national insurance on your earnings at 12% of your earnings over the threshold. If your earnings are above the upper earnings limit, then the rate of national insurance contributions you pay on earnings above this threshold is paid at the rate of 2%.

The combined percentage rates of Income Tax and National Insurance (on income over each threshold) when you earn over £9,568 is 12%, over £12,570 is 32%, over £50,270 is 42% and over £150,000 is 47%.

DWP Fraud

The DWP have been given more money in the budget to invest in DWP and local authorities' capacity and analytical capability to prevent and detect welfare fraud and error, including fraud as a result of serious and organised crime. The investment includes DWP recruiting up to 350 new members of staff.

Support for finding a job

Most of the measures announced in the budget apply to England only. The only notable announcement that could affect Swansea is that the government will invest £1.3 million over 2021-22 and 2022-23 to pilot the use of new technologies to support in or out-of-work people to find new job opportunities which are best suited to their skills and experience.

Debt - No-interest loans scheme pilot

The government will provide up to £3.8 million of funding to deliver a pilot no-interest loans scheme. The scheme will help vulnerable consumers who would benefit from affordable short-term credit to meet unexpected costs as an alternative to relying on high-cost credit.

Swansea

The Swansea Bay City Deal will get an extra £5.4 million per year from 2021-22 for the remaining 7 years of the Deal. This will enable Deal projects, including digital and urban regeneration infrastructure projects, to be delivered faster and will support the Deal to create up to 9,000 new jobs and to support an increase of £1.1 billion for the economy.

We hope that our benefits and financial inclusion updates are proving useful to you and helping you to advise your clients. If you have any feedback, suggestions or comments to make, please contact Anti.Poverty@swansea.gov.uk

Provided by the Welfare Rights Team, Tackling Poverty Service

Contact Welfare Rights Team on **637401**

Advice line for support staff: **637755** or welfare.rightsadviceline@swansea.gov.uk

Advice line opening times: Monday, Wednesday & Friday 9am-4pm