

Universal Credit if you're self-employed

This page tells you more about claiming Universal Credit if you're self-employed. If you're self-employed and already claiming certain benefits like Tax Credits or Housing Benefit, you will be eventually moved onto Universal Credit. Find out more about what to expect and what you can do to be prepared.

Claiming Universal Credit if you're self-employed

Universal Credit is replacing the following benefits:

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

At the moment, Universal Credit mainly affects newly-unemployed single people and some couples and families.

However, if you need to make a new claim for benefits to top up your self-employed income, you might be asked to claim Universal Credit if you live in an area which offers a full service.

A full service means you will make and manage your Universal Credit claim mostly online.

If you can't claim Universal Credit, you might be able to claim existing benefits, including:

- Housing Benefit
- Child Tax Credit
- Working Tax Credit

If you're self-employed and already getting the benefits to be replaced by Universal Credit, you don't have to do anything.

The DWP will tell you when it's time to move on to Universal Credit.

Find out more about Universal Credit in our guide [Universal Credit explained](#). For more information on claiming Universal Credit, your commitments, sanctions and working while claiming [download Universal Credit & You from Gov.uk](#). Find out more about Jobcentres offering a full service on the [GOV.UK website](#)

How do I show I'm self-employed?

Make the most of your Universal Credit payment when you're self-employed with personalised help from our [Money Manager](#) tool.

If you have to make a claim for Universal Credit, you will be invited to a gateway interview at your local Jobcentre Plus office.

The purpose of the interview is to decide whether your work is what the DWP calls gainful self-employment.

To show you're gainfully self-employed the work you do must be:

- regular
- organised
- developed

You must expect to make a profit and it should be your main job.

At the gateway interview, you'll need to show evidence you're gainfully self-employed. This could include:

- receipts
- your business plan
- copies of invoices
- trading accounts from the previous year
- proof you're registered as self-employed with HMRC

If you don't show enough evidence, the assessor might decide you're not gainfully self-employed.

This means you'll need to look for and be available for other work while you're getting Universal Credit.

Universal Credit and the minimum income floor

If you've been running your business for 12 months or longer when you claim Universal Credit, the Department for Work and Pensions (DWP) will work out your payment based on the minimum income floor.

This is an assumed level of earnings that is used to calculate your Universal Credit when your actual earnings fall below it.

Your minimum income floor level is calculated as follows:

- The number of hours you are expected to work each week. This can be up to 35 hours a week, depending on your personal circumstances. For example, you'd be expected to work fewer hours if you have caring responsibilities or you're disabled
- This figure is then multiplied by the national minimum wage rate for your age group
- This figure is multiplied by 52 then divided by 12 to reach a monthly figure.
- An amount for income tax, Class 2* and Class 4 National Insurance contributions is then deducted to arrive at your monthly minimum income floor

Your minimum income floor is the amount the DWP uses to set your Universal Credit payment each month.

If you earn more than the minimum income floor you will get less Universal Credit.

If you earn less than the minimum income floor you won't get any extra money to make up the difference.

Example

Sarah has worked as a self-employed hairdresser for two years. She is aged 25 and is expected to work 35 hours a week.

The National Living Wage for her age group is £7.83.

Her minimum income floor is worked out like this:

What is the Work Allowance?

This is the amount of money you can earn before your Universal Credit payment starts to reduce.

Find out more in [Universal Credit explained](#)

- $35 \times £7.83 = £274.05$ per week
- $£274.05 \times 52$ weeks = £14,250.60 per year
- $£14,250.60 \div 12$ months = £1,187.55 per month
- Income tax, Class 2 and Class 4 National Insurance contributions would then be deducted from £1,187.55 to arrive at the minimum income floor.
- On this amount, deductions would be £12.35 per month based on Class 2 NI contributions (for tax year 2018/19 these are £2.85 per week).
- $£1,187.55 - £12.35 = £1,175.20$
- This is the minimum amount the DWP expects Sarah will earn each month and her payment will be based on an income of £1,175.20.
- If she earns more than this, her Universal Credit payment will go down by 63p for every £1 she earns unless she qualifies for the Work Allowance.
- If she earns less than this, she won't get any more Universal Credit to make up the difference.

Who is exempt from the minimum income floor?

If you're exempt from the minimum income floor, your Universal Credit payments will be worked out according to your actual income rather than your assumed income.

Start-ups

If your business is less than 12 months old, the minimum income floor won't apply to you for one year.

During this period, you will not have to look for other paid work.

However, you will have to attend an interview every three months to prove you're still gainfully self-employed and be taking steps to increase your earnings.

You will be allowed one start-up period every five years.

Disabled people and lone parents

If you're self-employed and in the 'no work-related requirements' group, or the 'work-focused interview' or 'work preparation' group then the minimum income floor won't apply.

Moving from existing benefits to Universal Credit

The impact of moving from existing benefits, such as Working Tax Credits, to Universal Credit, depends on how long you've been self-employed.

If your business has been running for more than 12 months, you'll be exempt from the minimum income floor for the first six months of your claim.

If you've been self-employed for less than 12 months, then you'll be exempt from the minimum income floor for 12 months.

Reporting your income from self-employment

You must report your earnings to the DWP every month to carry on getting Universal Credit.

If you don't supply these figures between 7 days before and 14 days after your assessment date each month, your Universal Credit payment will be suspended.

You'll need to do this online by inputting your actual receipts minus:

- Income Tax
- Permitted expenses
- National Insurance (Class 2* and Class 4)
- Any pension contributions qualifying for tax relief.