



## **Universal Credit if you're self-employed**

This page tells you more about 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

If you're self-employed and already claiming any of the above benefits, you will be eventually moved on to Universal Credit. You do not need to do anything, the DWP will tell you when it's time to move on to Universal Credit. If you need to make a new claim for benefits to top up your self-employed income, you will need to claim Universal Credit.

### **How do I show I'm self-employed?**

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 that you are 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
- customer lists
- marketing materials

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 (refer to guide on Universal Credit work allowance and earnings taper).

If you earn less than the minimum income floor you won't get any extra money 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, the minimum income floor will apply.

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.