If your Business makes a Loss

The DWP carry forward a loss from one assessment period into the next.

Example:

In January, John earns £500 from his business but pays £1000 for new equipment. His self-employed earnings are therefore nil and he has a loss of £500. The loss of £500 can be deducted from his profits in February, during the next assessment period.

In February, he earns £1000 from his business but the DWP deduct the loss of £500 from the previous assessment period. This reduces his income for February to £500, but note that if the Minimum Income Floor affects John, it would be applied to *both* months.

The Surplus Earnings Rule

Because your benefit is worked out month by month, you may find that you earn too much in some months to get UC.

If your income drops within the next six months, it’s possible to reopen your claim. You can then be affected by the surplus earnings rule. This states that if you reclaim UC within 6 months, the DWP can take some of your income from the months between the claims into account in the first month of your new UC claim.

Money that you receive but don’t spend promptly can also be counted as capital. The calculation is complicated, so ask us for more advice about how surplus income is worked out.

Self-Employed Income Support Scheme

The SEISS was introduced to support self-employed people during the coronavirus pandemic.

If you are getting UC and apply for SEISS, you may get a lump-sum payment within one assessment period. This might raise your income to the level where you get no UC for that month. It might also bring your income above the surplus earnings threshold, so if you reapply for UC within 6 months, the surplus earnings rule applies. Your SEISS payment could also be counted as capital in future assessment periods.

Contact Citizens Advice for more advice about SEISS, especially if you get or plan to claim UC.

For more information go to www.citizensadvice.org.uk
or contact our

Citizens Advice Helpline: 0800 144 8848

Potteries Gold is a **Citizens Advice Staffordshire North & Stoke-on-Trent** project to help people in Stoke-on-Trent cope with changes to the benefit system
www.snscab.org.uk/about-us/potteries-gold
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Universal Credit

if you are Self-Employed

Means-tested Benefits No. 14

COMMUNITY FUND

citizens advice Staffordshire North & Stoke-on-Trent

Universal Credit if you are Self-Employed

Universal Credit is replacing six other benefits, including Tax Credits and Housing Benefit.
It can be claimed by people in or out of work, including self-employed people.
If you have a low or irregular income, you could claim Universal Credit.

Claiming UC if you are Self-Employed

Claiming UC as a self-employed person is quite different to claiming Tax Credits. Some things might work out better for you, while other features may be a problem.

If you already get Tax Credits, you can stay on them for now. You may be better off on UC, but it is also possible you could be worse off.

You cannot get UC if you have more than £16,000 in savings.

If you make a claim for UC, your tax credits stop and you won't be able to claim them again, even if you are not entitled to UC or you get much less money than you did on your old benefits. The same happens to other means-tested benefits.

Get advice before you switch. Call our Help to Claim team on **0800 144 8 444**.

Working out your UC

Instead of using your annual accounts, UC is worked out on your income and outgoings for a monthly assessment period. If your income varies from one month to the next, so will your UC.

You have to give the DWP figures for your earnings and permitted expenses every month, within 14 days of the end of that assessment period. If your assessment period ends on the fifth of each month, you must report your details by the nineteenth.

Your earned income is the actual money you have received during the assessment period, not the amount the work you did would have earned you.

Your expenses include income tax and national insurance contributions actually paid during that assessment period, not your annual liability averaged out.

Pension contributions can count as expenses if they are relievable. This means they must be paid to a registered pension scheme by or on behalf of a member of the scheme.

Other permitted expenses are allowed, again only for the month in which they were incurred. The DWP have set amounts they allow; for example mileage is allowed at 45p a mile for the first 833 miles and 25p any miles above this.

Are you Gainfully Self-Employed?

If you claim UC as a self-employed person, you need to understand something called the Minimum Income Floor (MIF). This is the amount you would earn working an expected number of hours - usually 35 - at the National Minimum Wage for your age. If you earn less than this, your UC is usually worked out on your MIF instead.

The MIF has currently been suspended due to the Covid-19 emergency.

The MIF does not apply for 12 months from the start of your UC claim even if your business has traded for longer.

Example:

Nadia is 22, single and self-employed. The DWP expect her to work 35 hours a week. Nadia's expected monthly income, using the minimum wage for her age of £8.20 per hour, is:

35 hours x £8.36	= £292.60 per week
£292.60 x 52 weeks	= £15215.20 per year
£15215.20 ÷ 12	= £1,267.93 per month

The DWP take off £100.55 for tax and National Insurance, so Nadia's expected monthly income, after deductions, £1,167.38 per month.

This is her minimum income floor (MIF).

This month, Nadia earns only £200, but her Universal Credit payment will be worked out using her minimum income floor of £1,167.38 per month.