

UNIVERSAL CREDIT – WORK ALLOWANCE

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INTRODUCTION

- 1 This memo provides guidance on amendments to the regulations which provide for the amount of earned income that is deducted from the UC maximum amount¹.

1 UC Regs, reg 22

- 2 These amendments are made by the [Universal Credit \(Work Allowance\) Amendment Regulations 2015](#) (SI 2015 /1649) and come into force on 11.04.16¹

1 The Universal Credit (Work Allowance) Amendment Regulations 2015 reg 1(1)

BACKGROUND

- 3 [ADM E2161](#) describes that in any assessment period 65% of the earned income received that exceeds the prescribed amount will be deducted from the UC maximum amount¹. The prescribed amount, known as the work allowance, is comprised of seven rates each of which fall within a higher or a lower category.

1 UC Regs, reg 22(1)(b)

CHANGES

- 4 From 11.4.16 the range of work allowances available to UC claimants is reduced from seven to two (some rates are also reduced and some are removed completely). Consequently a work allowance will only be available where the claimant or either joint claimant is responsible for a child or qualifying young person and/or has LCW¹.

1 UC Regs, reg 22(1)(b)

Note: this change also applies to UC claimants in digital service areas.

- 5 The reduced range of higher and lower work allowance and their new rates¹ are reproduced below. DMs should bear them in mind when reading examples in the ADM that make reference to the work allowance; (This table replaces the work allowance table at [ADM E2165](#))

1.	Higher work allowance (where no HCE in UC)	Amount
	Single claimant	
	responsible for one or more children or qualifying young persons and/or has LCW	£397
	Joint claimants	
	responsible for one or more children or qualifying young persons and/or one or both have LCW	£397
2.	Lower work allowance	
	Single claimant	
	responsible for one or more children or qualifying young persons and/or has LCW	£192
	Joint claimants	
	responsible for one or more children or qualifying young persons and/or one or both have LCW	£192

1 UC Regs, reg 22(table)

- 6 Example 1 at E2165 is reproduced below and expanded to reflect the reduction in the work allowance range from 11.4.16. There is no transitional protection for UC claimants whose work allowance is reduced or removed by this change.

Example

Bella is aged 26, single and lives with her parents, and so has no housing costs. She works as a shop assistant for eight hours per week receiving earnings of £50 per week. Before the amendments to the regulations come into effect Bella has a work allowance at the higher rate of £111. Her UC award is £253.70 (for an assessment period that contains 4 earnings payments) calculated by deducting £57.85 earnings from her £311.55 maximum amount. (full calculation is 311.55 standard allowance – 65% x (50 + 50 + 50 + 50 earned incomes – 111 higher work allowance)).

However, from 11.4.16, Bella will no longer be entitled to a work allowance and her UC award is reduced to £181.55. (full calculation is 311.55 standard allowance – 65% x (50 + 50 + 50 + 50 earned incomes))

TIMING

- 7 Where any of the amendments covered by this memo applies to an existing award of UC, that amendment has effect for the purposes of that award
1. on 11.4.16 if there is an assessment period for that award that begins on that day **or**
 2. from the first day of the next assessment period¹, if 1. does not apply¹.

1 The Universal Credit (Work Allowance) Amendment Regulations 2015, reg 1(2)

ANNOTATIONS

Please annotate the number of this memo (ADM 2/16) against the following ADM paragraphs:

ADM E2133, E2163

CONTACTS

If you have any queries about this memo, please write to Decision Making and Appeals (DMA) Leeds, 1S25, Quarry House, Leeds. Existing arrangements for such referrals should be followed, as set out in Memo [DMG 3/13](#) - Obtaining legal advice and guidance from DMA Leeds.

DMA Leeds: January 2016