

## 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**. This loss 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. Note that, if the Minimum Income Floor applies to 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.

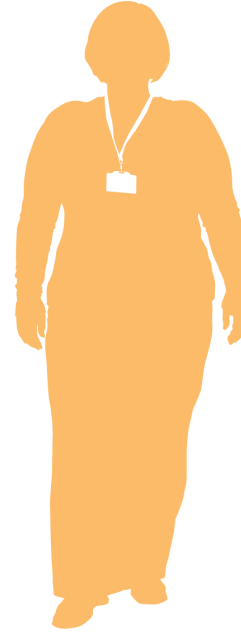
If your income drops within the **next six months**, it's possible to reopen your claim.

The surplus earnings rule could then be applied to your claim.

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 could also be counted as **capital**.

The calculation is complicated, so **ask us for more advice** about how surplus income is worked out.



For more information go to [www.citizensadvice.org.uk](http://www.citizensadvice.org.uk) or contact our **Citizens Advice Helpline: 0800 144 8848**



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# Universal Credit if you are Self-Employed

## Means-tested Benefits No. 14



## 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**, see if you could claim Universal Credit.

### Claiming UC as Self-Employed

Claiming UC as a self-employed person is quite different to claiming Tax Credits. Some things might work out better, 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 8444**.

### 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 must give the DWP figures for your earnings and expenses **every month**, within **14 days** of the end of that **assessment period**. So, if your assessment period ends on the 5th of the month, you must report your details by the 19th.

Your earned income is the **actual money you have received** during the assessment period, *not* what you should have earned from the work you did.

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

Pension contributions 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, but 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 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 £10.18 per hour, is:

$35 \text{ hours} \times \text{£}10.18 = \text{£}362.25 \text{ per week}$   
 $\text{£}362.25 \times 52 \text{ weeks} = \text{£}18,837 \text{ per year}$   
 $\text{£}18,837 \div 12$   
 $= \text{£}1569.75 \text{ per month}$

The DWP then disregard what she would be due to pay in income tax and National Insurance, to calculate Nadia's **minimum income floor (MIF)**.

This month, Nadia earns only £200, but her Universal Credit payment will be worked out using her minimum income floor, not her actual income.

