

# Universal Credit and self employment

---

Universal Credit supports new business and provides incentives to help you become self employed and grow your business.

Thousands of people take the decision to start their own business each year. If you are thinking about this to improve your future, GOV.UK provides a wealth of information to get you started at: [www.gov.uk/browse/business/setting-up](http://www.gov.uk/browse/business/setting-up).

## Claiming Universal Credit as a self employed person

Sometimes being self employed can mean being on a low income in the early stages. If you are already self employed, you may currently claim Housing Benefit, Tax Credits or other benefits to help you.

Universal Credit replaces these benefits and recognises the need to support self-employment, where this is the best way for you to become financially independent.

If you are self employed and make a claim for Universal Credit, and are required to look for work in order to claim Universal Credit, you will be invited to a Gateway Interview to:

- assess whether you are in gainful self employment for Universal Credit purposes
- accept the conditions that you will have to meet to qualify for Universal Credit
- find out how your current circumstances will affect your Universal Credit

You will need to show that your self employment is organised, developed and carried out regularly in expectation of profit. It must be your main form of employment.

If you are unable to demonstrate that you are gainfully self employed, you will need to look for and be available for other work in order to claim Universal Credit. Any employed or self employed activity may be set out in your Claimant Commitment, if your work coach agrees this is an appropriate job goal.

## Your minimum income

Universal Credit includes a 'minimum income floor' if you are gainfully self employed. This is an assumed level of earnings that DWP will use to calculate your Universal Credit payment if your earnings are below that level. The level of the minimum income floor will be set at an amount consistent with the work and earnings expectations of others in similar circumstances.

If there are no limitations on the number of hours you can work, the minimum income floor is likely to be the equivalent of you working 35 hours per week at the National Minimum Wage for your age group. Your Universal Credit payment will reflect this

## Universal Credit and self employment

assumed level of earnings and so will be less than you would receive if you were unemployed or only working a few hours per week.

If you earn less than the minimum income floor in any month, Universal Credit will not bridge that gap. This will encourage you to grow your business and make sure it can support you.

### Starting up

Growing a business can be a real challenge, especially in the early stages. It can take time to turn a profit. To help your new business grow, Universal Credit provides a 12 month start up period. This will apply if your business is less than 12 months old. During this time you will not have to look for other paid work, allowing you to focus on your business. You will be allowed one start up period every five years provided you meet all the other eligibility criteria.

If you are within the 12 month start up period under Universal Credit, the minimum income floor will not apply. In these circumstances you will receive the same amount of Universal Credit as you would if you were earning the same amount from PAYE employment.

### Moving to Universal Credit

In future, if you are self employed and on benefits, you may be moved onto Universal Credit if your circumstances have not changed for some time. If this happens, you will not be subject to a minimum income floor for the first six months of your claim. This will give you time to increase your earnings and makes sure that you do not lose out due to the change.

### Reporting your earnings

Universal Credit is paid monthly direct into your nominated account. The amount paid each month is linked to how much you earn.

When you report your earnings from self-employment you will have to supply monthly cash in and cash out figures to Universal Credit. The DWP system will be closely aligned to Her Majesty's Revenue and Customs' (HMRC) new cash basis accounting system for tax self-assessment.

You will be able to report your self employed earnings between seven days before and 14 days after the end of each month. If you fail to do so, your Universal Credit payment will be suspended. If you still haven't reported your self employed earnings a calendar month later, your claim will be terminated. The quicker you provide this information the sooner you will get the right support from Universal Credit.

## Universal Credit and self employment

### Employing people

Growing a business often means taking on employees for the first time. This creates new responsibilities and challenges. Universal Credit is paid to both in work and out of work claimants. There are no fixed hours thresholds, such as the 16 hours a week rule.

Universal Credit will also link to DWP's Universal Jobmatch service [www.gov.uk/jobsearch](http://www.gov.uk/jobsearch). This online service is aimed at helping jobseekers and companies find the ideal match when it comes to filling job vacancies.

### Getting ready for Universal Credit

Universal Credit is being introduced in stages. When it affects you will depend on where you live and any benefits you currently claim. To find out if you can make a claim, and for the latest information, visit [www.gov.uk/universal-credit](http://www.gov.uk/universal-credit).

The Universal Credit [Personal Planner](#) can help you prepare for the changes that the new service brings. You provide the answers to some basic questions and it will tell you how ready you are for Universal Credit. It provides advice on what you need to do and the best sources of help. It will not tell you how much Universal Credit you will get as this will depend on your circumstances when you claim.

You can prepare for Universal Credit by doing things such as:

- opening a bank account
- finding out where you can access the internet
- improving your internet skills

For more information visit [www.gov.uk/universalcredit](http://www.gov.uk/universalcredit) or the [Universal Credit toolkit](#).