

Universal Credit and self-employment

What is Universal Credit?

Universal Credit is a new benefit that supports people who are on a low income or out of work, and helps ensure that you are better off in work than on benefits.

Universal Credit will give you the support you need to prepare for work, move into work, or earn more. In return for this support, it is your responsibility to do everything you can to find work or increase your earnings.

Universal Credit is being introduced in stages. It is available to single people, couples and families in some areas of the country. It is being rolled out to single claimants nationally from February 2015.

To find out more information see the [list of jobcentre areas where Universal Credit is available](#) and the [local authorities and jobcentre areas that will begin delivering Universal Credit over the coming months](#).

Claiming Universal Credit as a self-employed person

Normally you cannot make a new claim for Universal Credit if you are self-employed, a company director or part of a limited liability partnership.

Once you have an established Universal Credit claim, if you decide to become self-employed, Universal Credit will provide support to help you 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.

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 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.

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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.

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 paid employment.

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.

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.

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. This online service is aimed at helping jobseekers and companies find the ideal match when it comes to filling job vacancies.

Moving onto 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.

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.

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 if you don't already have one
- finding out where you can access the internet
- improving your internet skills.

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