

Freedom of Information request 937/2013

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Information request

“why is it that tax credits is being moved to universal credits. why is it that when a couple claims tax credits, if one is eligible for public funds, then both are deemed to be eligible for public funds. yet: universal credits will deem that the other person is not eligible for public funds?”

DWP response

The Welfare Reform Act 2012 received Royal Assent on 8 March 2012, Section 21 of the Freedom of Information Act allows us to direct you to information which is already reasonably accessible to you. The information you requested is available at www.dwp.gov.uk/policy. *(If you do not have access to the Internet at home, you may be able to use facilities at your local public library).* However, I thought it would be helpful if I provided you with details of the current Tax Credit Act and a brief summary of the Welfare Reform Act relating to your request.

Whilst the current system provides targeted support to meet specific needs, the net effect is an array of benefits, each with its own rules and criteria, interacting in complicated ways, creating perverse incentives and penalties, confusion, and administrative cost. There are also separate systems for out-of-work and in-work support administered by different national and local agencies. A move into work therefore entails a recalculation of entitlement, multiple communications and possible delays and gaps in payment. As a result, the current system places a number of barriers for people who may wish to move into work; hindering rather than helping millions of individuals who are in poverty and facing welfare dependency

Universal Credit's key aims are to improve work incentives and create a simpler system by providing a new single system of means-tested support for working-age people who are in or out of work.

Universal Credit will replace income-based Jobseeker's Allowance, income-based Employment and Support Allowance, Income Support, Child Tax Credit, Working Tax Credit and Housing Benefit. Support for housing costs, children and childcare costs will be integrated in the new benefit. It will also provide additions for disabled people and carers.

As Universal Credit will be payable in and out of work the need to claim different benefits when working 16 hours or more will disappear. This will reduce the risks to claimants associated with moves to employment that exist in the current system of benefits and tax credits. To further remove the barriers to moving into work financial support will be reduced at a consistent and predictable rate and people will generally keep a higher proportion of their earnings. The intention is that work pays, including low-hours work.

Under the Tax Credits Act couples are required to make joint tax credit claims. As a result, HMRC is able to take account of the circumstances and income of both members of the couple, even if one partner in that couple is subject to immigration control. This also means the couple is, in principle, jointly liable in the event that we have to recover any tax credit overpayments.

Under Universal Credit there will be five basic conditions of entitlement; to be 18 or over (with some exceptions); to be under state pension credit age; to be a resident of Great Britain; to not be in full-time education (with some exceptions); and to have accepted a claimant commitment.

Where a couple claim Universal Credit and one of the members do not meet one or more of the basic conditions of entitlement then differing rules apply depending on the condition that is not met. If one member of the couple:

- is over State Pension Credit age or in full-time education then they are to be treated as though they were a standard couple for Universal Credit purposes;
- is under 18 or treated as not resident in Great Britain then that 'ineligible adult' is to be ignored for the purposes of calculating the Universal Credit Maximum Amount - although their capital, income and earnings shall still be taken into account; or
- fails to sign a Claimant Commitment then subject to a 'cooling off period' the couple will not be entitled