

UNITED KINGDOM 1999

The UK Financial year runs from April to April so figures and rules below apply for April 1999 to April 2000. If rates/rules changed during this period, where possible conditions at the end of 1999 have been given.

1. Overview of the system

The United Kingdom has a contributory flat-rate unemployment insurance benefit for those out of work, parallel with general means-tested benefit for those with low income. In addition there are a number of specific means-tested benefits: Council Tax Benefit (a help towards local tax), and Housing Benefit, and the Working Families' Tax Credit which is an in-work benefit for people with children. There is also a universal Child Benefit for people with children. The direct tax system consists of a central government income tax and a council tax; the tax unit for income tax is the individual. Council tax is levied on dwellings. The 1999 APW earnings level was GBP 17 780.

2. Unemployment insurance

2.1 *Conditions for receipt*

Contribution-based Jobseeker's Allowance (JSA) can be paid to a claimant who is unemployed or working less than 16 hours per week and not disqualified for any reason. They must have entered into a Jobseeker's Agreement.

2.1.1 *Employment conditions*

Recipients must be out of work or working less than 16 hours a week. They must be available for and actively seeking work as an employee or as self employed.

2.1.2 *Contribution conditions*

JSA (Contributory) is a personal benefit paid to unemployed people who have paid sufficient National Insurance contributions in the last two full tax years before the year of their JSA claim.

Sufficient means: Contributions paid in one of the 2 tax years on which the claim is based amounting to at least 25 times the minimum contribution for that year, and

contributions paid or credited in both the appropriate tax years amounting to a total of at least 50 times the minimum contribution for that year.

Minimum contribution is (as defined in the government formula for this purpose) GBP 66 per year. Then, 25 times this minimum contribution is paid when having a salary x such that $0.10 * (x - 66 * 52) = 25 * 66$. That is, $x = 19.982$. Note that this salary is higher than APW level.

2.2 Calculation of benefit amount

2.2.1 Calculation of gross benefit

Payable on a weekly basis at the rate of GBP 51.40 for a single person aged 25 and over, and GBP 40.70 per week for those aged 18-24.

There is no increase in the amount of JSA(Contributory) for families or children but Job Seekers are often entitled to other benefits as well, for example JSA (Income Based) which does have additions for children, partners etc.

2.2.2 Income and earnings disregards

The income-based benefit is reduced penny for penny in respect of most forms of income and of earnings over certain limits - normally GBP 5 a week for singles, GBP 10 for couples and GBP 15 in special cases.

Question: Is "Lone Parents" one of these special cases?

JSA Contributory is also reduced if an occupational or personal pension of over GBP 50 a week is received.

2.3 Tax treatment of benefit

JSA is taxable.

2.4 Benefit duration

Payable for up to 182 days, after a 3-day waiting period.

2.5 Treatment of particular groups

2.5.1 Young persons

New Deal for 18-24 year olds is a mandatory programme with: a Gateway; a choice of four options, each of which includes an element of training; and follow-through help for those who return to benefit after the programme.

3. Unemployment assistance

Income-based Jobseeker's Allowance is assessed at the difference between the applicable amounts (the needs) and the claimant's resources. There are capital limits – broadly capital over GBP 3,000 affects the amount of benefit paid, and benefit is not paid to people with capital over GBP 8,000. The applicable amount consists of personal allowances and specified premiums, (these allowances and premiums are the same for all the income related benefits, which are: income-based Jobseeker's allowance (JSA(IB)), income support (IS), housing benefit (HB), and Council Tax Benefit (CTB) (see table).

Family type	Rates of applicable amount (in GBP per week)
Personal allowance	
Single	
18-24	40.70
25 and over	51.40
Lone parent	
18 or over	51.40
Couple (both 18 or over)	80.65
Child	
Under 11	24.90
11-15	25.90
16-18	30.95
Premiums	
Family	13.90
Lone Parents (in addition to family premium)	1.85

There are further premiums for other specific circumstances, e.g. disabilities, caring responsibilities, for people over 60

3.2.2 *Income and earnings disregards*

Weekly earnings disregards are GBP 5.00 for a single person; GBP 10.00 for couples; and GBP 15.00 for certain special groups. Other forms of income, including unearned income and most other social security benefits, normally reduce benefits on a penny-for-penny basis

Note : Housing benefits and Family benefits are not considered for this income test.

3.3 *Tax treatment of benefit*

JSA is taxable.

3.4 *Benefit duration*

Paid as long as the conditions are fulfilled.

3.5 *Treatment of particular groups*

3.5.1 *Young persons*

New Deal for 18-24 year olds is a mandatory programme with: a Gateway; a choice of four options, each of which includes an element of training; and follow-through help for those who return to benefit after the programme.

4. **Social assistance**

The main out of work benefits are Jobseeker's Allowance and Income Support (for those not required to be available for work). Both benefits are designed to provide financial help to those whose net income falls below a set minimum level. In addition there are a number of other means-tested benefits/tax credits, as follows:

- Council Tax Benefit: help towards the tax raised by local authorities (see Section 5);
- Housing Benefit (see Section 5);
- Working Families' Tax Credit (see Section 8);
- Various benefits for the sick and disabled and the Social Fund which are outside scope of this study.

4.1 *Conditions for receipt*

Income Support is a means-tested benefit. Persons with savings or capital above GBP 8 000 are not eligible; the first GBP 3 000 of savings are ignored and a weekly income is assumed from savings of between GBP 3 000 and GBP 8 000. There are higher limits for people living in residential care or nursing homes.

4.1.1 *Employment conditions*

Income Support is available to some persons who are not working or working less than 16 hours per week (24 for partners). Receipt of Income Support is not dependent on availability for employment.

4.1.2 *Contribution conditions*

None.

4.2 Calculation of benefit amount

4.2.1 Calculation of gross benefit

Family type	Rates of applicable amount (in GBP per week)
Personal allowance	
Single	
18-24	40.70
25 and over	51.40
Lone parent	
18 or over	51.40
Couple (both 18 or over)	80.65
Child	
Under 11	24.90
11-15	25.90
16-18	30.95
Premiums	
Family	13.90
Lone parent (in addition to family premium)	1.85
Lone parent for CTB/HB (in addition to family premium)	8.15

There are further premiums for other specific circumstances, e.g. disabilities, caring responsibilities, for people over 60

The resources consist of the net income of the claimant and partner (including family benefits), subject to some disregards.

Income Support is the difference between the applicable amount (the needs) and the claimant's resources. The applicable amount consists of personal allowances and premiums, that only slightly differ for the calculation of Income Support (IS), Housing Benefit (HB), and Council Tax Benefit (CTB) (see table).

4.2.2 Income and earnings disregards

Weekly earnings disregards are GBP 5 for a single person, GBP 10 for couples and GBP 15 for certain other groups, such as lone parents and disabled people. Income other than earnings, including most other social security benefits and tax credits, are normally taken fully into account and reduce benefit penny for penny.

Note: Housing benefits and family benefits are not considered for this income test.

4.3 *Tax treatment of benefit*

Income Support is not taxable.

4.4 *Benefit duration*

Paid as long as the conditions are fulfilled.

4.5 *Treatment of particular groups*

4.5.1 *Young persons*

Income Support is not normally payable to persons aged 16-17. Under certain circumstances an amount is calculated based on their age and their partner's age (if they have one).

4.5.2 *Older people, carers, disabled/sick people*

Pensioner premiums exist: the weekly rates are GBP 23.60 for a single person aged 60-74, and GBP 35.95 for a couple where at least one partner is aged 60 or over and neither is 75 or over. Further pensioner premiums exist for other categories of pensioners. There are also additional premiums for disabled people and carers.

5. Housing benefits

Housing benefit is income-related, which provides help with paying the rent for private or public housing for people on low income.

Council Tax Benefit is a means-tested benefit, which provides help towards the tax raised by local authorities.

5.1 *Conditions for receipt*

Persons with capital above GBP 16 000 are not eligible; the first GBP 3 000 of capital is ignored. For capital of between GBP 3 000 and GBP 16 000, a notional income is taken into account. Note that Council Tax Benefit is for Great Britain only.

5.2 Calculation of benefit amount

5.2.1 Calculation of gross benefit

For people not receiving Income Support, housing benefit is the rent minus 65 per cent of the difference between net resources and the applicable amount. For all other claimants, housing benefit is the full amount of rent. If the housing benefit formula gives a value below 50 pence/week, no payment is made.

The applicable amount is shown in Section 4; the higher rate lone parent premiums apply to the calculation of the applicable amount for housing benefits (HB).

5.2.2 Income and earnings disregards

Earnings Disregards are GBP 5 for a single person; GBP 10 for a couple; GBP 15 for some disabled and GBP 25 for a lone parent. Certain incomes other than earnings, paid for a special reason (e.g. to meet the cost of disability) may be disregarded in part or in full. Net income for calculation purposes are defined as gross earned income after tax and social security contributions, plus most other unemployment/social security benefits and Working Families' Tax Credit, and other unearned income.

Note: Housing benefits and Family benefits are not considered for this income test.

5.3 Tax treatment of benefit

Both non-taxable.

5.4 Benefit duration

Both paid as long as the conditions are fulfilled.

5.5 Treatment of particular groups

5.5.1 Young persons

For housing benefit, the same personal allowance of GBP 40.70 applies to a single person aged less than 25 or a lone parent aged less than 18, whilst the personal allowance for a couple with at least one aged under 18 is GBP 80.65. Council Tax Benefit is not normally payable to anyone under the age of 18 as there is no council tax liability.

5.5.2 Older people, disabled, carers

As for Income Support, pensioner premiums exist for both benefits: the weekly rates are GBP 23.60 for a single person aged between 60 and 74, and GBP 35.95 for a couple where at least

one partner is aged 60 or over and neither is aged 75 or over. Further pensioner premiums exist for other categories of pensioners. There are also additional premiums for disabled people and carers.

5.5.3 Home owners

Housing Benefit cannot be claimed by people who pay mortgage repayments, rather than rent. A component of Income Support which helps with mortgage interest payments is available to eligible people.

6. Family benefits

6.1 Conditions for receipt

Child benefit is paid in respect of each child in the family under 16, or 19 if still in full-time non-advanced education.

6.2 Calculation of benefit amount

6.2.1 Calculation of gross benefit

It is payable at the weekly rate of GBP 14.70 for the eldest child from whom benefit is payable, and GBP 9.60 in respect of each other child.

6.2.2 Income and earnings disregards

Not subject to any means test.

6.3 Tax treatment of benefit

Not taxable.

6.4 Treatment of particular groups

6.4.1 Young people

Parents of 16 and 17 year olds who have just left school and who are registered for work or on youth training schemes are also eligible for Child Benefits, but only for up to 12 weeks.

7. Child-care benefits

As part of the Working Families' Tax Credit (see Section 8) parents can receive 70% of the actual child care cost per week, up to a maximum payment of GBP 70 per week if one child, GBP 150 per week if two or more children.

8. Employment-conditional benefits

Working Families' Tax Credit is an in-work means-tested benefit for working parents with low income.

8.1 *Conditions for receipt*

The employee must be working at least 16 hours per week. As for Income Support, persons with savings or capital above GBP 8 000 are not eligible; the first GBP 3 000 of savings are ignored and a weekly income is assumed from savings of between GBP 3 000 and GBP 8 000.

8.2 *Calculation of benefit amount*

8.2.1 *Calculation of gross benefit*

It is calculated by adding credits for adults and children, and then deleting 55 per cent of the difference between net income and GBP 90.00 per week. Net income is defined as gross earned income plus all relevant benefits minus taxes and social security contributions.

Note: Housing benefits and Family benefits are not considered for this income test.

No payment is made if the formula gives a value below 50 pence/week.

Family type	Rates of credits (in GBP per week)
Adult	52.30
Supplement for working 30 hours per week or more	11.05
Child	
0-10	19.85
11-15	20.90
16-18	25.95

In addition parents can receive 70% of the actual child care cost per week, up to a maximum payment of GBP 70 per week if one child, GBP 150 per week if two or more children.

8.3 *Tax treatment of benefit*

Not taxable.

8.4 *Benefit duration*

Paid as long as the conditions are fulfilled.

9. **Lone-parent benefit** no longer exists.

10. **Direct Tax system**

It consists of a central government income tax, and a council tax. Social security contributions are also paid.

10.1 *Income tax rate schedule*

10.1.1 *Tax allowances and credits*

Basic relieves: A personal allowance of GBP 4 335 is granted to each individual.

Standard marital status relieves: An additional allowance of GBP 1 970 is available. A couple can choose to allocate the whole married couple's allowance to the wife or to split it equally between them; the wife has the right to claim half the allowance. If the couple express no preference, the allowance is given to the husband. The relief is available at 10 per cent and is given as a wastable tax credit.

Additional Person's Allowance: An additional allowance of GBP 1 970 is available to single people with children. The relief is available at 10 per cent and is given as a wastable tax credit.

Working Families' Tax Credit: See section 8 (Employment-conditional benefits)

Relief for social security contributions and other taxes: None.

10.1.2 *The definition of taxable income*

For the central government tax, it is simply the gross earnings minus the basic allowance.

10.1.3 *The 1997 tax schedule*

Central government income tax:

Annual taxable income (in GBP)	Tax rate (%)
0 – 1500	10
1501 – 28000	23
Over 28000	40

There are no regional or local income taxes.

10.2 *Treatment of family income*

The tax unit is the individual.

10.3 *Social security contribution schedule*

Employees' contributions

National Insurance contributions are payable by employees earning more than GBP 66 in any week. These are 10 per cent of earnings between GBP 66 and GBP 500 for employees not contracted out of the state additional (earnings related) pension scheme (a supplement to the basic retirement pension). For employees who are contracted out, there is a reduction of 1.6 percentage points in the rate. Depending on eligibility criteria members of the National Insurance scheme qualify for pensions, sickness, industrial injury and unemployment benefits. All employees earning under GBP 66 per week have no National Insurance contribution liability.

11. *Part-time work*

11.1 *Special benefit rules for part-time work*

See above.

11.2 *Special tax and social security contribution rules for part-time work*

National Insurance contributions are payable by employees whose earnings are more than GBP 144.00 per week.

12. *Policy developments*

12.1 *Policy changes introduced in the last year*

Working Families' Tax Credit was introduced in the six months from October 1999, replacing Family Credit.

12.2 *Policy changes announced*

The government's reforms of the tax and benefit systems continue. The New Deal programme continues to expand, for example with the introduction of the New Deal for people aged 50 plus (in 2000) and national extension of the New Deal for Disabled People (2001). A number of new Tax credits will also be introduced: an Integrated Child Credit will combine child-related allowances of various existing in and out of work benefits and tax credits; an Employment Tax Credit

will replace the adult related components of in work benefits and tax credits and a Pensioners' Credit will reward saving among moderate earners when they retire.

UNITED KINGDOM

**The annual tax/benefit position of an unemployed single person
1999
(in pounds)**

	Unemployment benefit: 182 days	Income Support:
A. Taxable benefits		
Unemployment benefits	2 673	0
Total taxable benefits	2 673	0
B. Income tax and social security contributions		
Income tax allowances	4 335	4 335
Taxable income	0	0
Income tax	0	0
Tax credits	0	0
Social security contributions	0	0
Total income tax and social security contributions	0	0
C. Non-taxable benefits		
Means-tested benefits		
Income Support	0	2 673
Housing benefits	3 556	3 556
Total non-taxable benefits	3 556	6 229
D. Net income out of work (A-B+C)	6 229	6 229
E. Net income in work	13 448	13 448
F. Net replacement rate (D/E) (per cent)	46	46

Note: JSA (Contributory) benefit requires is a salary of at least GBP 19 982 a year (see 2.1.2).

UNITED KINGDOM

**The annual tax/benefit position of an unemployed married couple
with two children (6 and 4 years old)**

1999

(in pounds)

	Unemployment benefit: 182 days	Income Support:
A. Taxable benefits		
Unemployment benefits	2 673	0
Total taxable benefits	2 673	0
B. Income tax and social security contributions		
Income tax allowances	4 335	4 335
Taxable income	0	0
Income tax	0	0
Tax credits	197	197
Social security contributions	0	0
Total income tax and social security contributions	0	0
C. Non-taxable benefits		
Means-tested benefits		
Income Support	0	7 506
Housing benefits	3 556	3 556
Non-means tested benefits		
Family benefits	1 264	1 264
Total non-taxable benefits	4 820	12 326
D. Net income out of work (A-B+C)	7 493	12 326
E. Net income in work	15 336	15 336
F. Net replacement rate (D/E) (per cent)	49	80

UNITED KINGDOM

**The annual tax/benefit position of a lone parent
with two children (6 and 4 years old)**

1999

(in pounds)

	Unemployment benefit: 182 days	Income Support:
A. Taxable benefits		
Unemployment benefits	2 673	0
Total taxable benefits	2 673	0
B. Income tax and social security contributions		
Income tax allowances	4 335	4 335
Taxable income	0	0
Income tax	0	0
Tax credits	197	197
Social security contributions	0	0
Total income tax and social security contributions	0	0
C. Non-taxable benefits		
Means-tested benefits		
Income Support	0	6 081
Housing benefits	3 556	3 556
Non-means tested benefits		
Unemployment benefits	0	0
Family benefits	1 264	1 264
Total non-taxable benefits	4 820	10 901
D. Net income out of work (A-B+C)	7 493	10 901
E. Net income in work	15 336	15 336
F. Net replacement rate (D/E) (per cent)	49	71