
UNITED KINGDOM 2001

The UK Financial year runs from April to April so figures and rules below apply for April 2001 to April 2002. If rates/rules changed during this period, where possible conditions at the end of 2001 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 2001 AW earnings level was GBP 25 893.

2. Unemployment insurance

2.1 *Conditions for receipt*

Contribution-based Jobseeker's Allowance (JSA) can be paid to a customer who is unemployed or working less than 16 hours per week and not disqualified for any reason. JSA is available for men under age 65 and women under age 60. 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 capable of; available for and actively seeking work as an employee or as self employed.

2.1.2 *Contribution conditions*

JSA (Contribution based) 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. The minimum contribution is set annually by the government.

2.2 Calculation of benefit amount

2.2.1 Calculation of gross benefit

Payable on a weekly basis at the rate of GBP 53.05 for a single person aged 25 and over, and GBP 42.00 per week for those aged 18-24.

There is no increase in the amount of JSA (Contributory) for families or children but jobseekers 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 20 in special cases.

Question: Is "Lone Parents" one of these special cases? Yes – the special cases are lone parents, disabled people, carers and special occupations.

JSA contribution based is also reduced by earnings over the limits set out above and occupational or personal pensions where they exceed 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 aged 16 or 17

People aged 16 or 17 are eligible to claim JSA (Contribution based) but are unlikely to have paid enough contributions to qualify. They may be able to claim JSA (Income based) under Severe Hardship rules.

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	42.00
25 and over	53.05
Lone parent	
18 or over	53.05
Couple (both 18 or over)	83.25
Child	
Under 16	31.45
16-18	32.25
Premiums	
Family	14.50
Lone Parents (in addition to family premium)	1.40

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 20.00 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 for those claiming JSA for at least 6 months 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.

3.5.2 *Couples*

Members of a couple where at least one of the couple was born after 28 October 1957; and, is aged 18 or over; and, neither member of the couple is responsible for a child, are required to make joint claims to Income-based JSA. Both members of the Joint Claim are required to satisfy the conditions for receipt of JSA unless one member fits into an exempt group. In certain circumstances a member of a couple may still be able to receive JSA even if their partner has not made a joint claim with them.

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 the 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	42.00
25 and over	53.05
Lone parent	
18 or over	53.05
Couple (one or both 18 or over)	83.25
Child	
Under 16	31.45
16-18	32.95
Premiums	
Family	14.50
Lone parent (in addition to family premium) ⁽¹⁾	1.40
Lone parent for CTB/HB (in addition to family premium) ⁽²⁾	7.70

(1) Lone Parent premiums for income support and housing benefit are no longer available to new claimants (since 6 April 1998)

It is payable if :

- you were both a lone parent and entitled to IS or income-based JSA on 5 April 1998, or, if you were not, you were on any day within 12 weeks before or after that date and you have not ceased to be, both a lone parent and entitled to IS or income-based JSA for more than 12 weeks in this time, and
- you do not subsequently cease to be both a lone parent and entitled to IS or income-based JSA, although any periods of less than 12 weeks during which you may cease to be either a lone parent or entitled to IS or income-based JSA, or both, are ignored.

(2) It is payable if :

- you were entitled or treated as entitled to HB/CTB and the lone parent increase on 5 April 1998, and
- you do not cease to be a lone parent, and
- you do not cease to be entitled or treated as entitled to HB/CTB, and
- you do not become or cease to be entitled to IS or income-based JSA, and
- the disability premium or one of the pensioner premiums does not become payable instead.

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 20 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 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 39.10 for a single person aged 60 or over, and GBP 57.30 for a couple where at least one partner is aged 60 or over. 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 eligible 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 eligible rent. If the housing benefit formula gives a value below 50 pence/week, no payment is made.

Eligible rent is the rent on which Housing Benefit is payable. Eligible rent may differ from the contractual rent for cases in the deregulated Private Rented Sector (and some Registered Social Landlord cases). This may happen if the contractual rent is deemed to be excessive (either for the property in question or relative to other rents in the area) or if the size of the property is excessive relative to the claimants needs. The Rent Service makes these rent determinations. Those who live with employed non-dependents will have deductions made to their eligible rent.

The applicable amount is shown in Section 4; except lone parents where the applicable amount is GBP 22.20 plus the lone parent applicable amount.

5.2.2 *Income and earnings disregards*

Earnings Disregards are GBP 5 for a single person; GBP 10 for a couple; GBP 20 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 42.00 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 over 18 is GBP 83.25. 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 39.10 for a single person aged over 60, and GBP 57.30 for a couple where at least one partner is aged 60 or over. 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 15.50 for the eldest child from whom benefit is payable, and GBP 10.35 in respect of each other child. Lone-parents receive a supplement of GBP 2.05 per week.

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, length of time eligible depends on the time of year left education.

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 100 per week if one child, GBP 150 per week if two or more children. (See additional information on childcare costs and benefits at end of document.)

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 92.90 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 – from April 2001	54.00
- from June 2001	59.00
Supplement for working 30 hours per week or more	11.45
Child	
From birth to 16	26.00
16- day before 19 th Birthday	26.75

In addition parents can receive 70% of the actual child care cost per week, up to a maximum payment of GBP 100 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 4,535 is granted to each individual.

Children's Tax Credit: Tax relief is restricted to 10% so the credit is worth GBP 520, or your income tax liability if lower. For higher rate tax payers, the GBP 520 is reduced by GBP 1 for every GBP 15 of taxable income above GBP 33935.

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 2001 tax schedule

Central government income tax:

<u>Annual taxable income (in GBP)</u>	<u>Tax rate (%)</u>
0 – 1880	10
1881 – 29400	22
Over 29400	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 87 in any week. These are 10 per cent of earnings between GBP 87.10 and GBP 575 for employees not contracted out of the state additional (earnings related) pension scheme (a supplement to the basic retirement pension). Depending on eligibility criteria members of the National Insurance scheme

qualify for pensions, sickness, industrial injury and unemployment benefits. All employees earning under GBP 87 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*

12. Policy developments

12.1 *Policy changes announced*

The government's reforms of the tax and benefit system continue. A number of new Tax credits will be introduced. A Child Tax Credit will combine child-related allowances of existing in and out of work benefits and tax credits; a Working Tax Credit will replace the adult related components of in work tax credits and a Pension Credit will reward saving among moderate earners when they retire.

Childcare Costs and Childcare Benefits

1. The facts below are taken from a survey of 5,416 households for a Department for Education and Skills report 'Repeat Study of Parents' Demand for Childcare':

- Couples where both parents were in full-time work were paying GBP 44 a week.
- Lone parents working full-time pay weekly childcare costs of GBP 37.
- The median weekly cost of childcare among parents that used childcare was GBP 21.
- Two fifths of parents paid less than GBP 20 per week and one in ten parents paid more than GBP 100.
- High-income families and those with children not yet attending school had the highest childcare costs.
- Weekly cost of childcare for a family with children not yet attending school is GBP 35.

Table shows use of the Percentage of Families Fee-Paying and Free Childcare by Family Status		
Family Status	Percentage using Fee-paying Childcare	Percentage using Free Childcare
Couples	51%	49%
Lone Parents	49%	51%
Unemployed Couples	18%	82%
Unemployed Lone Parents	13%	87%

Table shows the percentage of households using fee-paying and free childcare by annual income		
Annual Income	Percentage using Fee-paying Childcare	Percentage using Free Childcare
GBP 31,2000 above	58%	42%
GBP 20,800 to GBP 31,199	41%	59%
GBP 10,400 to GBP 20,799	34%	66%
GBP 10,399 or less	18%	82%

2. The following information is taken from a report 'Fifth Survey of Parents of 3 and 4 year old children and their use of early year services' commissioned by the Department for Education and Skills and carried out by the National Centre for Social Research.
 - 44 per cent of parents paid less than GBP 25 per term to nursery education providers.
 - 31 per cent of parents paid GBP 250 or more per term.
 - On average parents paid GBP 224 per term for the provision of services and items.
 - 26 per cent of parents said that cost restricted the amount of nursery education their children received.