Introduction to welfare benefits and tax credits

Outline of the benefits system........................................................................................................ 3
Benefit cap........................................................................................................................................ 4
Benefits at a glance .............................................................................................................................. 6
Benefits and beneficiaries ................................................................................................................ 8
Universal Credit.................................................................................................................................. 10
Making benefit claims....................................................................................................................... 10
Delays in benefit claims.................................................................................................................... 12
Payment of benefit claims.................................................................................................................. 12

This chapter is an introductory guide to the main benefits that are available to people not in work, and those working fewer or more than 16 hours per week or 24 hours per week for couples responsible for children, with one partner working. Some benefits are paid if you are out of work, others if you meet certain conditions (for example, if you have a child), and some also have a means test, which considers your personal circumstances, income and capital. Some benefits can be paid when you are in paid work.

Most social security benefits are administered by the Department for Work and Pensions (DWP) through two separate services: Jobcentre Plus and the Pensions, Disability, and Carers Service. Two benefits are administered by local authorities: Housing Benefit and Council Tax Benefit. Child Benefit, Child Tax Credit and Working Tax Credit are administered by Her Majesty’s Revenue and Customs. Each benefit and tax credit has its own rules of entitlement.

The information in this section gives a general overview of entitlement. It is a complex subject and there are many exceptions to rules, and your circumstances may not fit the rules precisely. It is therefore important to obtain advice from a reputable, independent advice agency.
If you are receiving benefits because you are not in work, and you are thinking of taking up a job, it is also very important to get advice about what the effect of this will be on your overall finances. You can ask a reputable advice agency or Jobcentre Plus to calculate how your benefits will be affected by taking a particular job, called a ‘better off in work calculation’. To calculate this accurately, the adviser will need to know:

- the exact hourly rate of pay for the job and the number of hours you will be working
- the expenses associated with taking the job (for example, travel to work, work-related clothing and equipment, and childcare and other costs)
- accurate figures for your housing costs
- the precise amount of any other income and savings
- your household composition and the dates of birth of anyone in your household
- any special circumstances, such as whether you need a lot of prescriptions, or have children who get free school meals or other educational benefits, which may be lost if you start working.

If you are a newcomer to the UK, you may find that you are refused benefits because:

- you need permission from the Home Office UK Border Agency to be in the UK (you are a ‘Person Subject to Immigration Control’), or
- you have ‘No Recourse to Public Funds’ stamped in your passport, or
- even if you are allowed to enter and remain in the UK, you may have to establish that you have ‘right to reside’, or that you are ‘habitually resident’, in the UK. This can include British citizens who have lived abroad.

There is normally a right to appeal to an independent tribunal if you are refused a benefit and you should get help from an independent advice agency if this happens to you. Appeals have a good chance of success, especially if you attend the hearing and also have someone to represent you.
If you are subject to immigration control and, as part of your permission to stay in the UK, you are not allowed to claim ‘public funds’, you must get independent advice before even enquiring about your benefits at a social security, tax or local authority office.

**Outline of the benefits system**

The UK’s social security benefits system is a mix of different types of benefits, each with different rules. The government is making a series of major changes to simplify the system throughout 2013.

There are *contributory benefits* - based on National Insurance records - and *non-contributory benefits* - based on meeting certain rules about your circumstances (your income, capital, or National Insurance record do not matter, though sometimes your earnings can affect entitlement). There are also *means-tested benefits* - based on detailed eligibility criteria and rules about income and capital. Finally, there are *benefits for employees* that are administered by employers (such as Statutory Sick Pay and Statutory Maternity, Paternity and Adoption Pay).

Tax Credits are a form of income maintenance based on a mix of social security and income tax rules. They are paid by Her Majesty’s Revenue and Customs.

There is also a range of education benefits administered by local authorities, and there are health benefits that can help towards certain health-related costs, such as prescriptions. In England, these health benefits are administered by the National Health Service. In Wales, Scotland and Northern Ireland, arrangements are different. In Northern Ireland, most benefits are administered by the Department for Social Development. The entitlement and rules are equivalent.

Some benefits are designed to complement others, so it is best to view the social security system as a jigsaw with interlocking pieces - getting one
benefit can sometimes be based on qualifying for another benefit. This is done so that some people can receive additional help (for example, people with children or people with a disability) and it is commonly referred to as ‘passporting’. Passported benefits are those benefits to which some groups of people are automatically entitled to because they are in receipt of certain other benefits or tax credits.

**Benefit cap**

In April 2013, a cap was introduced on the total amount of benefit that working age people could receive. If you are in a couple or are a lone parent, the maximum amount of benefit you can receive is £500 per week. If you are a single adult, the maximum amount of benefit you can receive is £350 per week. The cap applies to the money you receive from the main out-of-work benefits, plus Housing Benefit, Child Benefit and Child Tax Credit.

The cap is being brought in first in four local authorities in London – Bromley, Croydon, Enfield and Haringey. If you live in these areas and earn more than £500 per week in a couple, or as a lone parent, and £350 per week and are single, your Housing Benefit will be reduced.

Other local authorities will bring in the cap between 15 July 2013 and the end of September 2013. If you start a new claim for Universal Credit from October 2013, your benefit will be capped too.

To find out how your Housing Benefit might be affected, check the Department for Work and Pensions’ online calculator: https://www.dwpe-services.direct.gov.uk/portal/page/portal/bcc/lp.

If you have been working for 52 weeks or more when you claim benefit, the cap will not apply to you for up to 39 weeks.

If you, your partner or a dependent child qualifies for any of the following benefits, the cap will not apply to you:
- Working Tax Credit
- Disability Living Allowance
- Personal Independence Payment
- Attendance Allowance
- Industrial Injuries Benefits
- Employment Support Allowance, if paid with the support component
- Armed Forces Compensation Scheme payments
- War Pension Scheme payments (including War Widow's/Widower’s Pension and War disablement Pension).

If you are affected by the cap, you may avoid or reduce your Housing Benefit cuts if you:

- negotiate the rent to a more affordable amount
- move to cheaper accommodation
- become entitled to one of the benefits listed above.

You may also be eligible for the discretionary Housing Payment scheme, through your local authority.
**Benefits at a glance**

<table>
<thead>
<tr>
<th>Contributory benefits</th>
<th>Non-contributory benefits</th>
<th>Means-tested benefits and tax credits</th>
<th>Employee benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Pension♥ ♠ ♣</td>
<td>Disability Living Allowance</td>
<td>Income Support or Income-Based Jobseeker's Allowance ♥</td>
<td>Statutory Sick Pay •</td>
</tr>
<tr>
<td>Employment and Support Allowance or Incapacity Benefit ♥ ♠ ♣</td>
<td>Personal Independence Payment</td>
<td>or Income-Related Employment and Support Allowance</td>
<td>Statutory Maternity Pay •</td>
</tr>
<tr>
<td>Jobseeker’s Allowance ♥ ♠</td>
<td>Attendance Allowance</td>
<td>or Bereavement Allowance ♥</td>
<td>Statutory Paternity Pay •</td>
</tr>
<tr>
<td>Bereavement Allowance ♥</td>
<td>Child Benefit</td>
<td></td>
<td>Statutory Adoption Pay •</td>
</tr>
<tr>
<td>Widowed Parent’s Allowance ♥ ♠</td>
<td>Maternity Allowance ♥</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Industrial injury benefits</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>War pensions</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>Carer’s Allowance ♥ ♠ ♣</td>
<td></td>
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<tr>
<td></td>
<td>Employment and Support Allowance in Youth ♥</td>
<td></td>
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</tbody>
</table>

State pension ages are changing. See Appendix 3 for details.

♥ There are both contributory and non-contributory versions of these.
There are Child Dependency Additions to these benefits, but only for people receiving them before 7 April 2003. After this date you should claim Child Tax Credit.

These benefits are covered by the overlapping benefits rules. This means that you can only receive the highest of whichever benefit you qualify for.

You can only receive one of these at any one time.

Social Fund includes Crisis Loans which are not means tested in the same way as the other benefits.
**Benefits and beneficiaries**

**Who is entitled to which benefits?**

The following list is a broad indication of the various benefits available to different groups of people. People often receive a combination of benefits and may be unclear about which benefits they receive. People must meet the rules for each benefit or tax credit. For this reason you may not qualify for each benefit under the category you fit into on this chart.

<table>
<thead>
<tr>
<th>Unemployed or working less than 16 hours per week</th>
<th>Working more than 16 hours per week</th>
<th>People with children</th>
<th>Bereavement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jobseeker's Allowance</td>
<td>Working Tax Credit</td>
<td>Child Benefit</td>
<td>Bereavement Allowance/Widow's Pension</td>
</tr>
<tr>
<td>Income Support (if you're not required to be available for work and to sign on for work [for example, lone parents with a child under the age of five])</td>
<td>Child Tax Credit</td>
<td>Child Tax Credit</td>
<td>Widowed Parent's Allowance/Widowed Mother's Allowance</td>
</tr>
<tr>
<td>Disability Living Allowance</td>
<td>Housing Benefit</td>
<td>Working Tax Credit</td>
<td>Bereavement Payment</td>
</tr>
<tr>
<td>Personal Independence Payment</td>
<td>Council Tax Benefit</td>
<td>Education benefits</td>
<td>Income Support</td>
</tr>
<tr>
<td>Child Tax Credit</td>
<td>Disability Living Allowance</td>
<td>Disability Living Allowance</td>
<td>Housing Benefit</td>
</tr>
<tr>
<td>Housing Benefit</td>
<td>Personal Independence Payment</td>
<td>Health benefits</td>
<td>Council Tax Benefit</td>
</tr>
<tr>
<td>Council Tax Benefit</td>
<td>Health benefits</td>
<td>All other benefits</td>
<td>Child Tax Credit</td>
</tr>
<tr>
<td>Health benefits</td>
<td>Education benefits</td>
<td></td>
<td>Working Tax Credit</td>
</tr>
<tr>
<td>Education benefits</td>
<td></td>
<td></td>
<td>Social Fund funeral grant</td>
</tr>
<tr>
<td>Older people (aged 61+)</td>
<td>Sickness or disability</td>
<td>Carers</td>
<td></td>
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<td>-------------------------</td>
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</tr>
<tr>
<td>State Pension</td>
<td>Statutory Sick Pay</td>
<td>Carer’s Allowance</td>
<td></td>
</tr>
<tr>
<td>Attendance Allowance (if 65+)</td>
<td>Employment and Support Allowance</td>
<td>Income Support</td>
<td></td>
</tr>
<tr>
<td>and/or</td>
<td>Incapacity Benefit</td>
<td>Child Tax Credit</td>
<td></td>
</tr>
<tr>
<td>Disability Living Allowance</td>
<td>Disability Living Allowance</td>
<td>Housing Benefit</td>
<td></td>
</tr>
<tr>
<td>Pension Credit</td>
<td>Income Support</td>
<td>Council Tax Benefit</td>
<td></td>
</tr>
<tr>
<td>Housing Benefit</td>
<td>Housing Benefit</td>
<td>Health benefits</td>
<td></td>
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<tr>
<td>Council Tax Benefit</td>
<td>Council Tax Benefit</td>
<td>Education benefits</td>
<td></td>
</tr>
<tr>
<td>Carer’s Allowance</td>
<td>Industrial injury benefits</td>
<td>(If you are a carer you might get extra on means-tested benefits such as Pension Credit, Employment and Support Allowance, and Jobseeker’s Allowance etc.)</td>
<td></td>
</tr>
<tr>
<td>Health benefits</td>
<td>War Pension or Armed Forces Compensation Scheme</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Education benefits</td>
<td>Child Tax Credit</td>
<td></td>
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</tr>
<tr>
<td>Winter Fuel Payment</td>
<td>Working Tax Credit</td>
<td></td>
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<tr>
<td>Jobseeker’s Allowance (up to age 64)</td>
<td>Health benefits</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Working Tax Credit</td>
<td>Education benefits</td>
<td></td>
<td></td>
</tr>
<tr>
<td>War Pension or Armed Forces Compensation Scheme</td>
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<td></td>
</tr>
<tr>
<td>Child Benefit and/or Child Tax Credit (if looking after child(ren))</td>
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</tbody>
</table>
**Universal Credit**

The government is introducing ‘Universal Credit’ from October 2013. It will replace Working Tax Credit, Child Tax Credit, Housing Benefit, Income Support, income-based Jobseeker’s Allowance and income-related Employment and Support Allowance. The government will move customers onto Universal Credit in phases between October 2013 and 2017, and will gradually close existing benefit and tax credit claims, transferring them to the new system. Universal Credit was introduced in April 2013 in selected areas of Greater Manchester and Cheshire.

The Department for Work and Pensions will manage the administration of the new benefit. Currently several government departments are responsible for benefits and tax credits: the Department for Work and Pensions, HM Revenue and Customs, and local authorities. The government hopes that Universal Credit will provide a basic income for those who are out of work, and make work pay as people move into and progress in work. The system also aims to make benefits less complex, and reduce errors by customers and benefit administrators.

Under Universal Credit, you will have to claim on the basis of your household rather than as individuals. If you are in a couple, both of you will have to claim Universal Credit. You will be expected to claim Universal Credit through the internet. You will only have to make one application for Universal Credit, rather than several applications for different benefits and tax credits. You will have to report any changes to your earnings and circumstances monthly.

**Making benefit claims**

You can start a Jobseeker’s Allowance claim online: [https://www.dwpe-services.direct.gov.uk/portal/page/portal/jsaol/lp](https://www.dwpe-services.direct.gov.uk/portal/page/portal/jsaol/lp)

You can also start a claim for Jobseeker’s Allowance, Employment and Support Allowance and other Department for Work and Pensions benefits by
phonning Jobcentre Plus on 0800 055 6688. If you find it hard to speak or hear clearly, a textphone is available on 0800 023 4888 (8am to 6pm, Monday to Friday).

Tax credits can be claimed by phoning the tax credits helpline on 0345 300 3900 (8am to 8pm Monday to Friday, 8am to 4pm Saturday).

You can make claims for some benefits by using claims forms that are available from Jobcentre Plus offices or the government’s website: www.gov.uk.

Housing Benefit and Council Tax Benefit can be claimed by phoning or writing to your local authority. You could also call into your local council offices. Some local authorities might have an online claim form on their website. If you also claim a means-tested Department for Work and Pensions benefit (such as income-based Jobseeker’s Allowance or Income Support) you can complete the additional claim form for these benefits in your Department for Work and Pensions claim pack.

You can apply for a Crisis Loan for living expenses or urgent rent in advance by phoning Jobcentre Plus on: 0800 032 7952.

If you have speech or hearing difficulties you can use the following textphone number: 0800 032 7958.

If you cannot use the phone to make a claim for a Department for Work and Pensions benefit, or if you would prefer not to, you can ask for a clerical claim form to complete and send in, or you can download a form from https://www.gov.uk. The law does not require that benefit claims are made by phone.¹

When you make a benefit claim, you must:

- give your National Insurance number or
Delays in benefit claims

There can be delays in obtaining an National Insurance number and if this holds up your benefit claim, you should ask for an interim payment of the benefit you have claimed. If this is refused, seek independent advice.

If there is a delay in processing your benefit claim, you can ask for an interim payment to be made. Jobcentre Plus has targets to process claims in 11 days for Jobseeker’s Allowance and nine days for Income Support. For Department for Work and Pensions benefits, there is discretion to make an interim payment if your claim has been delayed. If you are a private tenant (including a Housing Association tenant), your local authority must make an interim payment within 14 days if they cannot process your claim, unless they have asked you for information or evidence that they reasonably require and you have failed without good cause to supply this information.

Payment of benefit claims

Department for Work and Pensions benefits are paid fortnightly.

Housing Benefit is paid weekly unless you are a private tenant (including a housing association tenant), when it will be paid monthly, four weekly, fortnightly or weekly, depending on your needs (such as the dates when your rent is due). Many local authorities do not make it widely known that you can be paid at different intervals and only offer one payment arrangement.

Tax Credits are usually paid monthly or four weekly, but you can ask for more frequent payment.

All payments are normally paid into bank or building society accounts. Some people prefer to set up a special account to receive benefit and tax credit.
payments – for example a Post Office Card Account or a basic bank account, as you cannot overdraw on these. It is also useful, if other accounts are overdrawn, to use a different bank to prevent benefit payments being taken by the bank to reduce an overdraft.

If you cannot open an account (for example, you have been declared bankrupt or you cannot operate an account), you can ask to be paid by Pay Point payments or cheque.

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1 Reg. 4(1) Social Security (Claims and Payments) Regulations 1987
2 S 1(1A) and (1B) Social Security Administration Act 1992, and Reg. 2A Income Support (General) Regulations 1987
3 Reg. 2(1) Social Security (Payments on Account, Overpayments and Recovery) Regulations 1988
4 Reg. 2 Social Security (Payments on Account, Overpayments and Recovery) Regulations 1988
5 Reg. 93 Housing Benefit Regulations 2006
6 Reg. 92 Housing Benefit Regulations 2006