FOR STAFF AND STAKEHOLDERS

CITY OF WOLVERHAMPTON COUNCIL

Benefits Bulletin

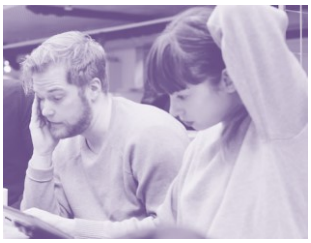
Universal Credit: Make sure that workers do not lose out over the holiday period due to an early payment of wages

20th December 2018

Issue 20

Working families and disabled workers who are getting Universal Credit could find themselves getting considerably less Universal Credit than they expected over the Christmas period if their employer pays them their wages early. Indeed, in some cases it may lead to a person's Universal Credit being terminated and the person having to reapply later on.

The problem is caused by the fact that Universal Credit is paid monthly and entitlement during any particular month is determined according to a family's or individual's circumstances and income during that month.



If a person is paid wages early then depending on the dates they are paid Universal Credit, they could find themselves being treated as though they have double the amount in wages in one month and no wages in the following month.

You would think that should this happen then things would eventually even themselves out. However, this is not necessarily the case.

The main reason for this is because families with children and people who work but are assessed as having 'limited capability to work' due to a disability qualify for an earnings disregard (known as a 'work allowance' - worth £198.00 per month or £409.00 per month). The 'work allowance' serves to reduce the amount a person is treated as having in wages for the Universal Credit calculation. It is there to 'make work pay' - to ensure that families and disabled people are better off in work. In the month in which a person is treated as having two lots of earnings, only one 'work allowance' is awarded. Then in the following month when they would be treated as having no earnings whilst they will, of course, get a greater amount of Universal Credit, because they will be treated as having less overall income, they would lose the value of the 'work allowance'.

Understand the rules…

Read the guidance…

Follow the advice…

Example: Steve and Julie are a couple. They have two young children. They live in privately rented accommodation. Their rent is £450.00 per month. Steve works. He earns £1,250.00 per month. The family's only other income is £34.40 per week Child Benefit. Their Child Benefit is fully disregarded for Universal Credit purposes.

Universal Credit Calculation (Monthly)	
Couple:	£498.89
Child 1:	£277.08
Child 2:	£231.67
Rent:	£450.00
A. Maximum Universal Credit Entitlement	£1,457.64
B. Income: Net Wage £1,250.00 month LESS £198.00 Work Allowance = £1,052.00 @ 63% = £662.76 taper	£662.76
A. Maximum Universal Credit £1,457.64 less B. Income £662.76 = Universal Credit Monthly Entitlement	£794.88

The family's total income is £2,044.88 per month (£1,250 Steve's wages plus £794.88 Universal Credit = £2,044.88) plus Child Benefit.

Steve and Julie's monthly Universal Credit 'assessment period' starts from 26th of each month because this is the date upon which they claimed/became entitled to Universal Credit. Therefore, any earnings Steve gets between the 26th of one month and the 25th of the following month are treated as his earnings for that period.

Steve normally picks up his wages on the 28th of each month. However, Steve's company has decided to pay him his December wage early on 21st (not the 28th) because it is Christmas. This means that for Universal Credit purposes Steve will be treated as having **TWO WAGES** worth £2,500 (i.e. two lots of £1,250) in his 'assessment period' - 26th November 2018 to 25th December 2018 and no wages during period 26th December 2018 to 25th January 2019.

This would result in family being awarded:

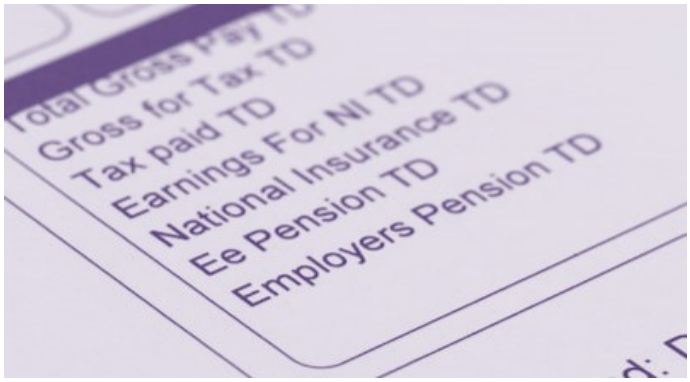
- £7.38 Universal Credit from 26.11.2018 to 25.12.2018; and
- £1,457.64 Universal Credit from 26.12.2018 to 25.1.2019.

For the overall two-month period they will get £1,465.02 (£7.38 plus £1,457.64 = £1,465.02). Whereas, had Steve's company not paid him early the couple's Universal Credit entitlement would have been £1,589.76 Universal Credit for the same period.

This means that the couple will have lost out by £124.74 over the two-month period unless they follow the guidance in these cases.

As stated, some people (i.e. home owners/ people living with family) are entitled to a higher 'work allowance' of £409.00 per month. In these cases, a family or disabled worker would stand to lose much more because the value of the 'work allowance' is much greater.

Interestingly, again because of the way in which Universal Credit operates, in the case of Steve and Julie if, for example, they were buying their home and so qualified for the higher £409.00 'work allowance' then over the two-month Christmas period they would find themselves marginally better off overall. However, in the month that they would be treated as having two wage payments, this would serve to knock them off Universal Credit. Therefore, they would be forced to reclaim Universal Credit to continue getting Universal Credit in the future.



This problem can also affect people who are paid early at other times - when their normal payday falls on a weekend or Bank Holiday date. For slightly different reasons this issue can also affect people who are paid weekly or fortnightly - because the nature of their payments means that they are treated as having greater earnings in some months than others. The 'being treated as being paid twice in one month' issue will most likely occur in cases where people have applied for Universal Credit at the end of a particular month and whose paydays fall on the last day of the month. The problem is caused by the fact that any earnings which are paid in a particular 'assessment period' may be treated as earnings for that period even if the earnings in fact relate to a different period.

The Rules…

It is up to an employer, as a 'Real Time Information' (RTI) employer to inform HMRC of earnings that have been paid to any particular employee by way of their RTI returns.

The Universal Credit rules are quite clear. If a person is employed as a PAYE employee, then their Universal Credit entitlement for any particular 'assessment period' will be based upon the earnings information reported to the DWP by HMRC. If no earnings information is provided, then the person should be treated as having no earnings for that particular period.

Further, the rules state that where the DWP believes that the information received from HMRC is wrong then the DWP can use its own judgement about a person's earnings during the relevant period and do so based upon the information and evidence provided. In doing this, the DWP can treat earnings received in one particular 'assessment period' as received in a later 'assessment period'.

Regulation 61(1) to (2) of the Universal Credit Regulations 2013
Regulation 61(3) to (5) of the Universal Credit Regulations 2013

Therefore, it does appear as though the DWP has some scope in cases where HMRC reports two lots of wages as being paid in one 'assessment period' as belonging to two separate 'assessment periods'.

Much will rest on whether in such cases it may be correctly asserted that the information supplied by HMRC is wrong. It may be argued that it is not wrong because factually it is correct - because factually the claimant has received two lots of wages in the same 'assessment period'.

The Guidance…

The DWP is aware of the problem faced by those who have different earning patterns. It has produced comprehensive guidance about what can happen to Universal Credit payments when people are paid weekly, fortnightly and monthly. This guidance also includes information about reclaiming Universal Credit should this be needed. The link is:

https://www.gov.uk/government/publications/universal-credit-different-earning-patterns-and-your-payments/universal-credit-different-earning-patterns-and-your-payments-payment-cycles

The Advice…

It is difficult to know what to advise in these cases. This is because whilst being paid early could lead some people to being worse off, others could benefit.

In final analysis HMRC official guidance to employers is that when completing their **RTI returns** they should enter the date on which a person would otherwise normally be paid, not the date on which they have been paid. This is to ensure that any Universal Credit payments will not be affected. If an employer needs advice on this then they can ring the HMRC helpline on 0300 200 3200. The DWP advice is that if an employer has entered the wrong date and, in consequence, this looks as though it is going to adversely affect a person's Universal Credit payments, then that person should talk to their Work Coach who will in turn seek to get the matter resolved.

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