

## AUTUMN BUDGET AND SPENDING REVIEW 2021 FACTSHEET: UC TAPER AND COST OF LIVING

The best way to support people's living standards is through good work, better skills, and higher wages.

We will always give families the support they need and the tools to build a better life for themselves.

The UK's modern Universal Credit (UC) benefit system ensures that people on the lowest wages are given the support they need to thrive and fulfil their potential.

As an incentive to find good work as the UK economy moves to a high-wage, high-productivity economy, the Government is changing the rate at which people's UC award gradually reduces once they earn a salary – making work pay.

### **How does the Universal Credit Taper work?**

The taper rate means that if people work more hours, their support is gradually withdrawn. It was withdrawn far more quickly in the old system.

Currently that taper rate starts at 63 pence – so for every £1, after tax, a person earns, their UC payment is reduced by 63pence.

The Government is taking decisive action to make sure work pays, and permanently cutting this taper rate by 8p from 63p to 55p, ensuring more money in people's pockets.

Some households can earn a set amount before the taper kicks in. This is called the work allowance.

### **What is the Work Allowance?**

Households on UC who are in work and either looking after a child or have a household member with limited capability for work are being supported with an increase in their work allowances.

This is the amount that a person can earn before support begins to be withdrawn as the taper rate kicks in.

Work allowances are currently set at £293 a month if the household receives housing support, or £515 if they do not receive housing support. These are both being increased by £500 per year.

### **Who is affected?**

1.9 million households will benefit from these changes. For example, within five weeks, as a result of these changes:

- A single mother of two, renting in Darlington, working a full-time job on the National Living Wage, will see her take-home income increase by £1,200 on an annual basis.



HM Treasury

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- A couple with two children, renting their home with their two children, where one partner works full time at the National Living Wage, and the other works 16 hours a week at National Living Wage will be £1,800 per year better off.

Taken together, this is an effective £2.2bn tax cut for around 2 million of the lowest earning working families.

This applies to England, Scotland and Wales. The Northern Ireland Executive will be provided with funding to implement an equivalent measure.

### Who has called for it?

[the TUC](#): *"If the aim of UC is to make work pay, the taper rate needs to be revisited"*

[Centre for Social Justice](#): *"increasing work allowances would help those claimants who are highly motivated to re-enter a weakened labour market to have their incomes supported."*

[Child Poverty Action Group](#): *"Lowering the taper would be welcome."*

[Joseph Rowntree Foundation](#): *'Increasing work allowances and reducing the taper rate would strengthen work incentives and help protect families on low earnings from poverty.'*

[Centre for Policy Studies](#): *"The Government should implement improvements to work incentives within UC through a cut to the taper rate and increased work allowances. This is desirable in itself and would complement a broader economic programme for increased employment post-pandemic."*

### When will it be introduced?

Changes like this are usually introduced at the start of the financial year in April, but in order to support families through the Winter, the reduction to the taper rate and increase to the work allowances will be implemented by the beginning of December 2021.

### This builds on continued support to tackle cost of living

- We are supporting millions of workers by increasing the National Living Wage to £9.50 an hour in April 2022 from £8.91.
- Young people and apprentices will also see their wages boosted as the National Minimum Wage for people aged 21-22 goes up to £9.18 an hour and the Apprentice Rate increases to £4.81 an hour.
- Investing £170million in 2024-25 to increase the hourly rate to be paid to early years providers to deliver the government's free childcare hours.
- Saving consumers £3billion over the coming years on alcohol duty. The freeze will save consumers 3p off a pint of beer, 2p off a pint of cider, 14p off a 75cl bottle of wine and 52p off a 70cl bottle of Scotch.
- The average driver will pay around £15 less fuel duty per tank as we freeze fuel duty for twelfth consecutive year, compared with pre-2010 plans.



**HM Treasury**

Taking into account the increase in the National Living Wage, changes in Universal Credit, the freezing of the income tax Personal Allowance and the introduction of the Adult Social Care Levy:

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- A single parent with two children, working 16 hours a week at the National Living Wage in 2022/23 will still be around £590 better off in cash terms than if none these changes had been made.
- A single earner couple with two children, working 35 hours a week at the National Living Wage in 2022/23 will still be around £1,200 better off in cash terms than if none these changes had been made.

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