

# Applying the Minimum Income Floor

## Minimum Income Floor

Universal Credit can support claimants in self-employment when this is their best route to financial independence.

The Minimum Income Floor (MIF) is a minimum amount of earnings which a gainfully self-employed claimant is treated as having in an assessment period. This is based on the lowest amount a claimant with similar circumstances could be expected to earn in employment.

If a claimant's actual earnings are below this level, their Universal Credit award is calculated using the claimant's MIF.

A claimant's MIF can change, for example, when the National Minimum Wage changes. Find out more about recalculating the MIF.

## When the Minimum Income Floor Applies

The MIF applies when a claimant satisfies all of the following. The claimant is:

- in the intensive work search, light touch or working enough regimes
- considered to be gainfully self-employed
- not in a start-up period

## When the Minimum Income Floor will not apply

The MIF doesn't apply when a claimant is:

- in the work preparation, work-focused interview or no work-related requirements regimes
- not considered gainfully self-employed
- in the start-up period
- in a 6-month period after managed migration to Universal Credit

## Minimum Income Floor and work related requirements

Claimants who are considered gainfully self-employed and have a MIF applied will:

- be placed in the working enough regime
- have their work search or work availability requirements switched off as long as they remain gainfully self-employed

This lets them concentrate on making a success of their business and getting their self-employed earnings above their MIF.

## Calculating the Minimum Income Floor

The 'Minimum Income Floor Calculator' is located in the 'ALPS LINKS' folder (under calculators) in the shared area. It works out the claimant's individual MIF as a monthly amount.

A claimant's MIF is worked out by:

1 Taking the number of hours they would be expected to look for work each week if they were not self-employed (this may vary depending on the claimant's circumstances for example if a claimant has caring responsibilities).

2 Multiply this by the national minimum wage rate for the claimant's age group.

3 Multiply the result by 52 then divide by 12. This gives a monthly figure.

4 Taking off the Income Tax and Class 2 and Class 4 NI contributions payable on actual earnings at that level, to get an assumed net monthly income - this is the claimant's MIF.

When a single claimant's actual earnings are less than their MIF in any assessment period, they are treated as having earned income equal to their MIF amount.

## Couple households

For couples:

- if one partner is gainfully self-employed and not in a start-up period, a MIF only applies to him or her and will be used for the calculation of the couple's award
- if both partners are gainfully self-employed each will have their own MIF, they are combined for the calculation of the couple's award

Each claimant may have a different MIF.

Where the MIF applies it should not increase a household's assumed earnings above the household's net conditionality threshold (the 'maximum for a couple').

A claimant's MIF can be reduced if the combined actual earnings are below the household threshold, but the partner earnings plus the MIF are above the household threshold. The MIF is lowered so that when added to the partner's actual earnings, the total earnings used to calculate the household's award is equal to the household's net conditionality threshold.

No MIF will apply and the combined actual earnings will be used to calculate the award if either of the following applies:

- one half of the couple is subject to a MIF but their partner has actual earnings above the couple threshold
- their combined actual earnings are above the couple threshold

## When to recalculate the Minimum Income Floor

The MIF will change as the National Minimum and Living Wages increase. It can also increase or decrease if there are any changes to a claimant's expected hours of work.

The claimant's MIF amount must be recalculated when:

- there's a change to the National Minimum or Living Wage (each April)
- the claimant moves into a different age bracket for the National Minimum or Living wage
- the number of hours they're expected to look for work each week changes, for example, when their youngest child reaches 12

The MIF will no longer be applied if a claimant moves into one of the following work groups, as they are no longer treated as gainfully self-employed:

- work preparation
- work focused interview

- no work related requirements

## **New Enterprise Allowance 2017 - Support for claimants not reaching their MIF**

Existing self-employed claimants, who have a MIF applied, are eligible for referral to New Enterprise Allowance 2017 (NEA 2017) if they fall below their MIF for three months in a row.

NEA 2017 supports self-employed claimants through business mentoring for 0 - 6 months and includes:

- initial assessment by the provider within 10 working days of the referral date
- a minimum of 3 mentoring sessions over the 12 weeks
- additional workshops, for example on financial planning and marketing support
- developing a Business Development and Growth Plan to help improve the claimants self-employed earnings to above their MIF

Once the Business Development and Growth Plan has been assessed the claimant will receive 12 months business support.

The claimant must decide whether they wish to be referred to NEA if eligible (see New Enterprise Allowance).