

**INTRODUCTION TO
MEANS TESTED BENEFITS
AND
TAX CREDITS**

Income Support

Income support is paid to people with nil income or sufficiently low income. It is not paid to:-

- Unemployed people – they should be able to claim job seekers allowance.
- It is not paid to people in full time paid work (usually more than 16 hours per week). They should be able to claim Working Tax Credit.
- It is not paid to people aged over 60. They should be able to claim Pension Credits. There is no increase in income support for dependant children. Whether a claimant is in full time paid work or not, they will have to claim Child Tax Credit.

Who Can Claim Income Support?

There are approximately 30 categories of claimants within the regulations. However, the main categories are:-

- Sick and disabled people. People with childcare responsibilities and carers.
- Women within the maternity period.

The Amount of Benefit

Step 1

Calculate your applicable amount. The applicable amount consists of:-

- Personal allowances for you and each member of your family.
- Premiums.
- Housing costs for mortgage payment and prescribed repairs and improvements.

Step 2

Calculate your income. There are rules relating to all types of income and whether they are counted in full or in part. Capital under £3,000 does not affect income support. Capital between £3,000 - £8,000 does affect the benefit. There is a tariff income of £1 for every £250 above £3,000 taken into account.

Step 3

Deduct income from applicable amount. A claimant will be entitled to income support if their applicable amount exceeds the income.

Income Based Job Seekers Allowance

The regulations regarding the means testing of this benefit are almost identical to those for income support. This includes the need to claim child tax credits for dependant children.

Housing Benefit

Housing benefit is paid to people with a low income who pay rent. It is paid whether or not the claimant is in work or not. It can be paid in addition to other benefits or tax credits. The benefit is paid by local authorities although it is a national scheme and the regulations are mainly determined by the Department of Work and Pensions Regulations.

Who Qualifies for Housing Benefit?

- Your income is low enough
- Your capital is less than £16,000. There is no capital limit if somebody over the age of 60 receives the guarantee credit of pensions credits. The £16,000 rule does apply to those who receive the savings credits.
- The habitual residence test has to be satisfied.
- Housing benefit is not paid to people subject to immigration control.

Coventry is one of the pilot areas for local housing allowance. The two main changes are that:-

- There is a set housing allowance for each dwelling in the pilot area.
- The benefit is paid to the tenant rather than the landlord. There are a few exceptions to this rule.

How Housing Benefit is Calculated

For people on income support, income based job seekers allowance or the guaranteed credit of pension credit. There is an automatic passport to the maximum housing benefit payable although there could be a deduction if there are other people in the household who are not dependant. For people who are not on income support, income based job seekers allowance or the guaranteed credit of pension credit.

Step 1

Check that your capital is not too high.

Step 2

Work out the local housing allowance.

Step 3

Work out your applicable amount.

Step 4

Work out your income including tariff income.

Step 5

Calculate housing benefit which is reduced by 65% of the income above the applicable amount.

Council Tax Benefit

Council tax benefit is paid to people with a low income who pay council tax. It is paid whether or not the claimant is available for or in full time paid work and may be paid in addition to other benefits and tax credits. The benefit is paid by local authorities although it is a national scheme and the rules are mainly determined by Department of Work and Pension Regulations. The means test for council tax benefit is largely the same as for housing benefit.

The maximum council tax benefit is based on the standard rate of council tax for each property. For people who do not receive income support, income based job seekers allowance or guarantee pension credit, the paper for council tax benefit for those above the applicable amount is 20% of the difference between the income and the applicable amount.

There are other factors which may affect how much council tax is paid on each property.

- Second adult rebate can reduce the liability for council tax where there are one or more “second adults” living in the property who are on a low income.
- There are discounts such as, people living on their own, carers and people with severe mental disablement.

Pension Credits

Pension credit came in to force on the 6th October 2003 and replaces income support for those over the age of 60. The purpose of the new credits is to ensure that pensioners have a guaranteed level of income and are rewarded for having made provision for retirement above the basic state pension. Pension credit consists of two elements:

- Guarantee credit.
- Savings credit.

A person may be entitled to either or both of these elements. Pension credit is administered by the Pensions Service rather than the Job Centre Plus which administers income support and job seekers allowance.

Guarantee Credit

This is made up of:-

- Standard minimum guarantee
- Any additional amounts where applicable.

Standard Minimum Guarantee

This ensures that all people over 60 will be paid at least the following amounts subject to tariff income.

- Single person £105.45
- Couple £160.95

Additional Amounts

These are set amounts for such as disability, caring responsibilities or housing costs. These will broadly correspond to the premiums and housing costs payable within income support.

Savings Credit

The effect of savings credit is to make the calculation more complicated than previously. The maximum savings credit is:

- Single person £15.51
- Couple £20.22

Tax Credits

Two new tax credits were introduced on 6th April 2003.

- Child Tax Credit
- Working Tax Credit

These credits are administered by the Inland Revenue.

Child Tax Credit – this is an income based credit for low income and middle income families who are in or out of work and who have responsibility for at least one child under 16 or under 19 if in full time not advanced education.

Working Tax Credit – this is an income based credit for working adults. A claimant or their partner must fit into one of four categories:

- Work 16 or more hours per week and have responsibility for a child.
- Have a disability which leads to a disadvantage in getting a job.
- Some people returning to work aged 50 or more.
- Work 30 hours or more per week and be 25 or over.

The amount of child tax credit. Child tax credit is made up of a combination of the following elements:

- Child element (£1,625 per year).
- Disability element (£2,215 per year).
- Severe disability element (£890 per year).
- Family element (£1,090 including the “baby element” per year; £545 if not)

Maximum Child Tax Credit

The maximum of child tax credit you can receive is calculated by adding together all the elements which apply. The child tax credit calculation. Child tax credit is calculated by comparing assessed income with the “income threshold figure”. If income is less than the income threshold figure maximum child tax credit is paid. If income exceeds the income threshold figure maximum child tax credit is reduced by 37% of the excess.

The Amount of Working Tax Credit

Working tax credit is made up of a combination of the following elements:

- Basic element (£1,570 a year);
- Disability element (£2,100 per year);
- Lone parent/couple element (£1,545 per year);
- 30 hour element (£640 per year);
- severe disability element (£890 per year);
- 50 plus element (£1,075 per year for 16-29 hours work); (£1,610 per year for 30 or more hours work);
- child care element (based on eligible child care costs)

Maximum Working Tax Credit

The maximum of working tax credit. The maximum amount of working tax credit you receive is calculated by adding together all the elements which apply.

The Working Tax Credit Calculation

Working tax credit is calculated by comparing your income with the income threshold figure. You receive the maximum credit if your income is less than the income threshold figure. The maximum working tax credit is reduced by 37% of the excess by which your income exceeds the income threshold figure.