

EXPLANATORY MEMORANDUM TO
THE UNIVERSAL CREDIT (REDUCTION OF THE EARNINGS TAPER RATE)
(AMENDMENT) REGULATIONS (NORTHERN IRELAND) 2017

2017 NO. 147

1. Introduction

- 1.1 This explanatory memorandum has been prepared by the Department for Communities (Northern Ireland) on behalf of the Department for Work and Pensions and is laid before Parliament by Command of Her Majesty.

2. Purpose of the instrument

- 2.1 The instrument amends the Universal Credit Regulations (Northern Ireland) 2016 ([S.R. 2016 No. 216](#)) by reducing the taper rate which applies to earnings used in the calculation of Universal Credit awards.

3. Matters of special interest to Parliament

Matters of special interest to the Joint Committee on Statutory Instruments

- 3.1 None.

Other matters of interest to the House of Commons

- 3.2 As this instrument is subject to the negative resolution procedure and have not been prayed against, consideration as to whether there are other matters of interest to the House of Commons does not arise at this stage.

4. Legislative Context

- 4.1 Section 87 of the [Northern Ireland Act 1998](#) (“the 1998 Act”) places a statutory duty on the Minister for Communities and the Secretary of State for Work and Pensions to consult with one another with a view to securing a single social security system for the United Kingdom. Section 88 of the 1998 Act makes provision for financial adjustments to support the maintenance of these parity arrangements.
- 4.2 Underpinning the parity principle is the argument that, as people in Northern Ireland pay the same rates of income tax and National Insurance contributions as people in Great Britain, they are entitled to the same rights and benefits paid at the same rate.
- 4.3 The [Welfare Reform Act 2012](#) (“the 2012 Act”) introduced a number of reforms which included the introduction of Universal Credit, Personal Independence Payment and a cap on the amount of benefits working age people can receive. This was to restrict the total amount of money a non-working household can receive to broadly the level of the average earned income of working households after tax and national insurance contributions are deducted.
- 4.4 The [Welfare Reform and Work Act 2016](#) (“the 2016 Act”) provided for the introduction of further reforms in Great Britain, including tiered reductions to the level of the benefit cap depending on where in Great Britain claimants lived, changes to the

child element of Universal Credit and Child Tax Credits and the removal of the work-related activity component in Employment and Support Allowance and the Limited Capability for Work element in Universal Credit.

- 4.5 On 17 November 2015 “[A Fresh Start: The Stormont Agreement and Implementation Plan](#)” was agreed by the main political parties in Northern Ireland. Included in this agreement was the approach agreed by the Executive and HM Government to implementing welfare reform in Northern Ireland. The [Northern Ireland \(Welfare Reform\) Act 2015](#) provides a power for Her Majesty to legislate on social security, child support and certain matters related to employment and training in Northern Ireland by Order in Council. Any such Order in Council may then confer power on the Secretary of State or a Northern Ireland department to make further provision regarding these matters by regulations or order. The [Welfare Reform \(Northern Ireland\) Order 2015](#) (“the 2015 Order”) was made on 9 December 2015 making provision corresponding to the 2012 Act. [The Welfare Reform and Work \(Northern Ireland\) Order 2016](#) (“the 2016 Order”) was made on 12th October 2016 making provision corresponding to the social security provisions of the 2016 Act, and regulations stemming from the 2016 Order are now being brought forward.
- 4.6 In order to maintain parity, these regulations implement for Northern Ireland the changes brought about in the equivalent GB regulations, The Universal Credit (Reduction of the Earnings Taper Rate) Amendment Regulations 2017 ([S.I. 2017/348](#)) which amended the taper rate on earnings received by claimants of Universal Credit from 65% to 63%.

5. Extent and Territorial Application

- 5.1 The extent of these Regulations is Northern Ireland.
- 5.2 The territorial application of these Regulations is Northern Ireland.

6. European Convention on Human Rights

- 6.1 As the instrument is subject to the negative resolution procedure and does not amend primary legislation, no statement is required.

7. Policy background

What is being done and why

- 7.1 The Chancellor’s Autumn Statement of November 2016 announced that the taper applying to earnings received by working claimants of Universal Credit would be reduced from 65% to 63% meaning that for every additional £1 earned, the claimant would retain 37p.
- 7.2 Reducing the taper rate from 65% to 63% will have an impact on claimants as follows:
- 7.3 105,000 households are estimated to benefit from this change, with an average weekly increase in the Universal Credit award of £4.30 per week. This results in a net additional expenditure of about £23 million per annum at steady state. This is in line with the additional £700 million reported by the Chancellor at the UK level.
- 7.4 Gains will vary dependent on household circumstances; for example, a couple with two children receiving the housing element of Universal Credit, where one parent earns £30,000 a year would benefit by around £420 per annum. This measure heightens their

incentives to work more hours as they would gain even more – around £450 – if they earned an extra £2,000 a year.

- 7.5 Some families will benefit by more than £500 per annum, for example a couple with two children, paying £120 a week rent, where each of the parents earn £15,000, would gain by around £490 a year.
- 7.6 A single parent with one child and no housing costs earning £15,000 a year would benefit by around £170 per annum.
- 7.7 The reduction in the taper rate will benefit people across the income distribution, and will mean more people will be eligible for Universal Credit higher up the income distribution.

Consolidation

- 7.8 This instrument will be informally consolidated in the Law Relating to Social Security Northern Ireland (or “Blue Volumes”). It will be available to the public at no cost via the internet at: <https://www.communities-ni.gov.uk/services/law-relating-social-security>.

8. Guidance

- 8.1 The appropriate guidance will be amended for staff and Decision Makers in advance of this instrument becoming operational.

9. Consultation outcome

- 9.1 This measure was announced as part of the Autumn Statement 2016 and was not consulted upon.

10. Impact

- 10.1 There is no impact on business, charities or voluntary bodies.
- 10.2 This instrument has no impact on the public sector.
- 10.3 An Impact Assessment has not been prepared for this instrument.

11. Regulating small business

- 11.1 The legislation does not apply to activities that are undertaken by small businesses.

12. Monitoring & review

- 12.1 The operation of the Regulations will continue to be reviewed through the normal avenues of guidance enquiries received from the Department for Communities’ offices and correspondence from members of the public.

13. Contact

- 13.1 Anne McCleary at the Department for Communities can answer any queries regarding the rule Telephone: 028 90823332 or email: anne.mccleary@communities-ni.gov.uk.