

**EXPLANATORY MEMORANDUM TO**  
**THE UNIVERSAL CREDIT (WORK ALLOWANCE AND TAPER) (AMENDMENT)**  
**REGULATIONS (NORTHERN IRELAND) 2021**

**S.R. 2021 NO. 302**

**1. Introduction**

- 1.1 This Explanatory Memorandum has been prepared by the Department for Communities to accompany the Statutory Rule (details above) which is laid before the Northern Ireland Assembly.
- 1.2 The Statutory Rule is made under Articles 13(3)(a) and 48(1) and (2) of, and paragraph 4(1) and (3) of Schedule 1 to, the Welfare Reform (Northern Ireland) Order 2015, and is subject to the negative resolution procedure.

*21 day rule*

- 1.3 The Chancellor of the Exchequer announced amendments to the single earnings taper rate and the lower and higher work allowances which apply to earnings used in the calculation of Universal Credit awards in the Budget on 27 October 2021. To ensure that working Universal Credit households have the benefit of these measures reflected in their Universal Credit payments from 1 December 2021, this instrument must come into operation on 24th November and will therefore breach the 21 day rule. The Department for Work and Pensions laid their regulations on 18th November 2021 and, in order to keep parity, the Department made these regulations on 22<sup>nd</sup> November 2021 with the same operational date, 24<sup>th</sup> November 2021.

**2. Purpose**

- 2.1 The purpose of these regulations is to amend the Universal Credit single earnings taper rate and the lower and higher work allowances which apply to earnings used in the calculation of Universal Credit awards. These changes mean that Universal Credit claimants who are working will be able to keep more of their earnings.

**3. Background**

*What is being done and why?*

- 3.1 The Chancellor's Autumn Budget and Spending Review statement of 27 October 2021 announced that the taper rate applied to the earned income received by working claimants of Universal Credit would be reduced from 63% to 55%. This means that for every £1 earned the claimant would retain 45p rather than 37p.
- 3.2 It was also announced that both the lower and higher work allowances would be increased by £500 per annum (rounded up to £42 per month). A work allowance is the amount of net earnings an eligible household with responsibility for a child/children or qualifying young person and/or a household member with limited capability for work can earn before the taper applies and their Universal Credit award is reduced. These measures help to make work pay for low income households on Universal

Credit by allowing them to keep more of what they earn, strengthening incentives to move into and progress in work.

3.3 Reducing the taper from 63% to 55% and increasing both the lower and higher work allowances by £500 per annum will have an impact on Universal Credit households allowing those working households to keep, on average, around an extra £1,000 a year. Gains will vary dependent on the household circumstances.

3.4 The reduction in the taper rate means more people will be eligible for Universal Credit higher up the income distribution, i.e. those whose income would have previously been too high to qualify.

#### **4. Consultation**

4.1 There is no requirement to consult on these regulations.

#### **5. Equality Impact**

5.1 In accordance with its duty under section 75 of the Northern Ireland Act 1998, the Department conducted a screening exercise and concluded that the changes did not have any significant implications for equality of opportunity. In light of this, the Department considered that an equality impact assessment was not necessary.

#### **6. Regulatory Impact**

6.1 These Regulations do not require a Regulatory Impact Assessment as they do not impose a cost on business, charities, social enterprises or voluntary bodies.

#### **7. Financial Implications**

7.1 None anticipated.

#### **8. Section 24 of the Northern Ireland Act 1998**

The Department has considered section 24 of the Northern Ireland Act 1998 and is satisfied that the Rule is in compliance with that provision.

#### **9. E U Implications**

9.1 Not applicable.

#### **10. Parity or Replicatory Measure**

10.1 These Regulations are equivalent to the Universal Credit (Work Allowance and Taper) (Amendment) Regulations 2021 in Great Britain, which were made on 15th November 2021, laid on 18<sup>th</sup> November 2021 and come into force on 24th November 2021.

#### **11. Additional Information**

11.1 Guidance will be issued to Department for Communities staff prior to this Statutory Rule becoming operational.