

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

2017 No. 348

1. Introduction

1.1 This explanatory memorandum has been prepared by 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 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 negative resolution procedure and has 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 This legislation is required to amend the taper rate on earnings received by claimants of Universal Credit which is currently set by regulations at 65% to 63%.

5. Extent and Territorial Application

5.1 The extent of this instrument is Great Britain.

5.2 The territorial application of this instrument is Great Britain.

5.3 Northern Ireland will make their own reciprocal arrangement to introduce these regulations.

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 from 65% to 63% will have an impact on claimants as follows:
- 7.3 3 million households will benefit from this change. Gains will vary dependent on household circumstances; for example, a couple with two children receiving the housing element of UC, where one parent earns £30,000 a year would benefit by around £425 PA. 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.
- 7.4 Some families will benefit by more than £500 pa, for example a couple with two children, £120/ week rent, where each of the parents earn £15,000, would gain by around £490 a year; and a couple with two children, £120/ week rent, where one parent earns £20,000 and the other £15,000, would gain by around £560 a year.
- 7.5 A single parent with one child and no housing costs earning £15,000 a year would benefit by around £170 PA.
- 7.6 The 2% reduction in the taper will benefit those in the first to fourth income deciles the most
- 7.7 The reduction in the taper rate means more people will be eligible for UC higher up the income distribution, i.e those whose income would have previously been too high to qualify, estimated to be 90,000 additional households.

Consolidation

- 7.8 Informal consolidated text of instruments is available to the public free of charge via ‘the National Archives’ website legislation.gov.uk.

8. Consultation outcome

- 8.1 This measure was announced as part of the Autumn Statement 2016 and was not consulted upon.
- 8.2 The proposal does not impact on legislation in respect of Housing Benefit so no consultation with the Local Authority Associations was required.

9. Guidance

- 9.1 Guidance will be issued to DWP staff during the normal course of business, in the period before the legislation comes into effect. Existing online information about the taper rate will also be amended to reflect the new rate.

10. Impact

- 10.1 There is no impact on business, charities or voluntary bodies.
- 10.2 The Exchequer impact of this measure was published at Autumn Statement 2016 and is estimated to be £700m of spend per year by 2021-22.
- 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 Universal Credit Evaluation Framework, published in December 2012, sets out the Department’s broad intentions for evaluation, including impact measurement.

This provides an overview of plans for evaluating the introduction, implementation, delivery and impact of UC. Changes to UC policy and/ or regulations will be reviewed in line with the framework as we continue with national rollout of UC.

13. Contact

- 13.1 Liz Roebuck at The Department for Work and Pensions Tel: 01132327203 or email: liz.roebuck@dwp.gsi.gov.uk can answer any queries regarding the instrument.