These notes refer to the Welfare Reform Act 2012 (c.5) which received Royal Assent on 8 March 2012

WELFARE REFORM ACT 2012

EXPLANATORY NOTES

COMMENTARY ON SECTIONS

Part 1: Universal credit

Section 8: Calculation of awards

48. *Section 8* sets out how the amount of universal credit a claimant receives will be calculated. For each claimant there is a "maximum amount" made up of the different elements (set out at greater length in sections 9 to 12). Sums may then be deducted from this maximum amount in respect of a claimant's earned income, such as wages, and unearned income, such as pension income. Regulations will prescribe how income is calculated and taken into account for universal credit. *Paragraph 4* of *Schedule 1* contains further provisions about the calculation of income and capital. Under universal credit earned and unearned income will be treated differently.

49. The amount of universal credit will be reduced in respect of a claimant's earned income. Claimants may be allowed to receive a certain amount of earned income before their universal credit award begins to reduce. The amount of income to be disregarded may differ depending on a household's circumstances. The level of these disregards will be set in regulations under the powers provided in *paragraph 4* of *Schedule 1*. Earnings disregards will be per household and where the conditions for more than one disregard are satisfied, people will get the highest disregard only.

50. Once earnings are above the level to be disregarded, the award of universal credit will be reduced at a constant rate for each extra pound earned. This rate will be determined in regulations made under *subsection (3)(a)*. The first regulations made under subsection (3) will be subject to the affirmative resolution procedure.

51. Some unearned income, which may include income from other benefits such as disability living allowance or the new personal independence payment, may be completely disregarded and not affect the amount of a person's universal credit award. Other unearned income may reduce a claimant's award.