Welfare benefit and tax credit measures announced in the 2015 Summer Budget

Benefit uprating

- **freezing benefit rates** - most working-age benefits will be frozen for four years from April 2016. This will apply to jobseeker’s allowance; employment and support allowance; income support; child benefit; applicable amounts for housing benefit; and local housing allowance rates, with provision for high rent areas. This excludes maternity allowance; statutory sick pay; statutory maternity pay; statutory paternity pay; statutory shared parental pay; statutory adoption pay; disability, carers and pensioners’ premiums in the frozen benefits; the employment and support allowance support group component; and other disability, carer and pensioner benefits, which will continue to be uprated in relation to prices or earnings as applicable;

- **freezing tax credits rates** - the uprating freeze will extend to child tax credit and working tax credit (excluding disability elements). All disability elements will continue to be uprated by prices each year;

Tax credits

- **changes to taper rates in tax credits** - from April 2016, the taper rate in tax credits will be increased from 41 per cent to 48 per cent of gross income so that, once claimants earn above the income threshold, their award will be withdrawn at a rate of 48 pence for every extra pound earned;

- **reduction in the income rise disregard in tax credits** - from April 2016, the amount by which a claimant’s income can increase in-year compared to their previous year’s income before their award is adjusted (the income rise disregard) will be reduced from £5,000 to £2,500;

- **tax credit debt recovery** - HMRC will recover overpayments of working tax credit from payments of child tax credit, and recover overpayments of child tax credit from payments of working tax credit. HMRC will also extend the use of the private sector to improve the collection of tax credit debt; this will target tax credit debt in excess of £3,000 that has already passed the Extending Tax Credits debt collection process;
Tax credits and universal credit

- **changes to tax credits income thresholds and universal credit work allowances** - from April 2016, the income threshold in tax credits will be reduced from £6,420 to £3,850 per year. Work allowances in universal credit will be abolished for non-disabled childless claimants, and reduced to £192 per month for those with housing costs and £397 per month for those without housing costs. Claimants earning below these amounts will retain their maximum award;

Benefits paid in respect of children

- **limiting the child element in tax credits and universal credit** - the child element of tax credits and universal credit will no longer be awarded for third and subsequent children born after 6 April 2017. This will also apply to families claiming universal credit for the first time after April 2017. Households who have been in receipt of tax credits or universal credit, with an interruption of less than six months, will be protected and children with disabilities will continue to receive the disabled child element or severely disabled child element in tax credits and the equivalent in universal credit. Multiple births will be protected in both systems and the DWP and HMRC will develop protections for women who have a third child as the result of rape, or other exceptional circumstances. Consequential changes will be also made in housing benefit from April 2017;

- **removing the family element in tax credits, the universal credit higher amount for a first child and the family premium in housing benefit** - from April 2017, the family element in tax credits and the higher first child element in universal credit will no longer be awarded when a first child is born. This will also apply for families with children making their first claim for universal credit. Households who have been in receipt of tax credits or universal credit with an interruption of less than six months will be protected and children with disabilities will continue to receive the disabled child element or severely disabled child element in tax credits and the equivalent in universal credit. In housing benefit, the family premium will be removed for new claims and new births from April 2016;

- **extending parent conditionality** - from April 2017, parents claiming universal credit, including lone parents, will be expected to prepare for work from when their youngest child turns two, and to look for work when their youngest child turns three, with support from Jobcentre Plus;
Employment and support allowance

- **reduction in benefit for the work-related activity group of employment and support allowance** - from April 2017, new claimants who are placed in the work-related activity group will receive the same rate of benefit as those claiming jobseeker’s allowance, alongside additional support to help them take steps back to work;

Benefits for young people

- **restricting housing benefit entitlement for young people** - from April 2017, those out of work aged 18 to 21 making new claims for universal credit will no longer be automatically entitled to the housing element. Parents whose children live with them, vulnerable groups, and those who were living independently and working continuously for the preceding six months will be exempt from this measure;

- **the 'youth obligation'** - from April 2017, young people will participate in an intensive regime of support from day one of their benefit claim, and after six months they will be expected to apply for an apprenticeship or traineeship, gain work-based skills, or go on a mandatory work placement to give them the skills they need to move into sustainable employment;

Benefit cap changes

- **lowering the household benefit cap** - the government will lower the household benefit cap, which caps the amount of benefits out-of-work working-age families can receive, to £20,000, except in Greater London where the cap will be £23,000. The current exemptions to the cap will continue to apply;

Help with housing costs

- **limiting backdating in housing benefit** - from April 2016, housing benefit claims will be backdated for a maximum of four weeks;

- **discretionary housing payments** - the government will provide £800m of funding for discretionary housing payments over the next five years;

- **support for mortgage interest (SMI)** – from 1 April 2016, the SMI waiting period will return to the pre-recession length of 39 weeks, but the capital limit will be maintained at the higher level of £200,000. From April 2018, new SMI payments will be paid as a loan. Loans will be repaid upon sale of the house, or when claimants return to work. Payments will accrue interest at a rate tied to the OBR forecast of gilts;
Benefits for older people

- **protecting pensioner benefits** - the ‘triple lock’ on the state pension will be maintained; and other benefits for pensioners including the winter fuel allowance and free TV licences for over 75s will be protected in this parliament.

Benefit and tax credit expenditure

- **the overall cap on welfare spending** - set at £115bn in 2016-2017; £114.6bn in 2017-2018; £114.0bn in 2018-2019; £113.5bn in 2019-2020; and £114.9bn in 2020-2021;

- **tax credit expenditure** - expenditure on tax credits will return to 2007-2008 levels in real terms and, in 2016-2017, five in ten families with children will be supported through tax credits, down from six in ten today and nine out of ten in 2010;

NB - the Chancellor also confirmed that a *Welfare Reform and Work Bill* will be published on 9 July 2015.