



BRIEFING PAPER

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Benefits Uprating 2020

By Roderick McInnes

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This is an updated version of the briefing originally published on 4 February 2020. It now includes a section on the revised benefit and tax credit rates announced in response to the coronavirus (COVID-19) outbreak (see [section 1.5 The response to COVID-19](#)).

Contributing Authors: Roderick McInnes
Steven Kennedy

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Summary

This note sets out the main benefit and tax credit rates for the 2020/21 financial year.

Indexation of benefits in line with the **Consumer Prices Index (CPI)** resumes for inflation-linked benefits and tax credits this year, resulting in a **1.7% increase**. This follows a four-year period (2015/16-2019/20) during which most working-age benefits (except for disability and carer's benefits) were held at their 2015/16 cash value, and a three-year period before that (2013/14-2015/16) when increases were limited to 1% per annum.

In response to the **coronavirus outbreak**, the Government announced a further set of increases for 2020/21. **Universal Credit standard allowances** and the **Working Tax Credit basic element** were increased by £20 a week (just over £1,000 a year) and Local Housing Allowance rates were reset to the 30th percentile market rent in each area.

The **Basic** and **New State Pensions** continue to be uprated in line with the '**triple lock**' that was introduced in 2012/13 – that is, by the highest of the increase in earnings, price inflation (as measured by the CPI) or 2.5%. For the purposes of the 2020/21 uprating, **earnings growth (+3.9%)** was the highest of these three benchmarks, meaning that:

- the **New State Pension** (for those reaching State Pension age on or after 6 April 2016) will be **£175.20** per week in 2020/21 (up from £168.60 in 2019/20)
- the **Basic State Pension** (the core amount in the old State Pension system) will be **£134.25** per week in 2020/21 (up from £129.20 in 2019/20).

Pension Credit Guarantee Credit is required to increase at least in line with earnings. In 2020/21 it will also rise by 3.9%.

1. Up-rating policy

1.1 DWP benefits

The Secretary of State for Work and Pensions is required by section 150(1) of the [Social Security Administration Act 1992 as amended](#) to review the level of benefits each year:

in order to determine whether they have retained their value in relation to the general level of prices obtaining in Great Britain estimated in such manner as the Secretary of State thinks fit

and then to table a draft up-rating order setting out the amounts by which benefits are to be increased as of the start of the next tax year.

The draft up-rating order must increase the level of certain benefits specified in the Act by at least the rise in the level of prices (see box, right).¹ It may also provide for increases in other benefits administered by the Department for Work and Pensions (DWP):

if [the Secretary of State] considers it appropriate, having regard to the national economic situation and any other matters which he considers relevant.²

This covers a wide range of benefits that the DWP is responsible for, including Jobseeker's Allowance, Employment and Support Allowance, Income Support and Universal Credit.³

The Secretary of State is also required (by section 150A(1) of the 1992 Act) to review the annual increase in earnings for the purposes of up-rating the New State Pension, Basic State Pension and the Pension Credit standard minimum guarantee, and to table a draft up-rating order increasing these by at least the general increase in earnings.

The statutory instrument providing for the increases in DWP benefits to be made as of April 2020 (for the 2020/21 financial year) is [the **Social Security Benefits Up-rating Order 2020** \(SI 2020/234\)](#). The [draft of this order](#) was laid before the House on 30 January 2020 and was [debated on the floor of the House](#) on 10 February 2020.⁴

The territorial extent of the Order is Great Britain, with the exception of Carer's Allowance which is set for England and Wales. With effect from 3 September 2018 the Scottish Government assumed responsibility for setting Carer's Allowance rates in Scotland.

The Department for Communities in Northern Ireland is responsible for making up-rating provision for Northern Ireland corresponding to the DWP Order, subject to the agreement of the Northern Ireland Assembly.

Key benefits that must be increased in line with prices:

- Disability benefits (PIP, Attendance Allowance, DLA)
- Carer's Allowance
- Incapacity benefit
- Severe Disablement Allowance
- Industrial injuries benefit
- Additional State Pension
- Guardian's Allowance (HMRC)

¹ *Social Security Administration Act 1992* section 150(2)(a)

² *Social Security Administration Act 1992* section 150(2)(b)

³ Universal Credit was added to the 1992 Act by the [Welfare Reform Act 2012 schedule 2 para 22](#).

⁴ [HC Deb 10 Feb 2020 vol 671 col 671](#).

1.2 HMRC Tax Credits and Child Benefit

Child and Working Tax Credits, Child Benefit and Guardian's Allowance are administered by HM Revenue and Customs and the Treasury has departmental responsibility for the annual uprating of these payments.

[Section 41 of the Tax Credits Act 2002](#) requires the Treasury to review the value of Tax Credit elements and thresholds:

to determine whether they have retained their value in relation to the general level of prices in the United Kingdom as estimated by the Treasury in such manner as it considers appropriate

and then to report its review to Parliament, setting out what each amount would be if it had fully retained its value. The Treasury is not, however, required to increase each Tax Credit amount to this value.

The Treasury must also annually review the value of Child Benefit and Guardian's Allowance in relation to prices and is required to increase Guardian's Allowance in line with the increase in prices.⁵

The statutory instrument providing for the increases to be made as of April 2020 (for the 2020/21 financial year) is [the Tax Credits, Child Benefit and Guardian's Allowance Up-rating Regulations 2020 \(SI 2020/298\)](#). The [draft of this instrument](#) was laid before the House on 30 January 2020. This was accompanied by the [annual review of tax credit amounts required by section 41\(2\) of the Tax Credits Act 2002](#).

1.3 Inflation and earnings indices

The normal reference month for assessing inflation is the September preceding the new financial year. Since 2011 the inflation measure used by default is the **Consumer Prices Index (CPI)**.⁶

Growth in earnings is assessed with reference to the annual change in the ONS's **Average Weekly Earnings** index in the July preceding the new financial year.⁷

This year the relevant factors for uprating are:

- **CPI** 12 months to September 2019. **+1.7%**
- **Average Weekly Earnings** to year ending July 2019. **+3.9%**

⁵ The review of Child Benefit and Guardian's Allowance rates is required by section 150(1) of the *Social Security Administration Act 1992*, and the increase in the latter in line with prices is required by section 150(2)(a) of the Act. [Section 49\(3\) and 49\(4\) of the Tax Credits Act 2002](#) passed UK-wide responsibility for this to the Treasury.

⁶ Previously, the default indexation benchmarks were:

- the Retail Prices Index (RPI) for pensions and other non-means-tested benefits;
- the 'Rossi' index (RPI minus housing costs) for means-tested benefits.

⁷ The basis of earnings uprating for the Minimum Income Guarantee was set out in 2000 as "*the 12-month headline rate [...] based on a three-month average up to July*" ([PO 124393 \[Minimum Income Guarantee\], HC Deb 6 June 2000 c223W](#)). This figure was derived from the old ONS [Average Earnings Index](#) which was discontinued as of July 2010. It has since been superseded by the Average Weekly Earnings series ([ONS data series KAC3](#)). In both cases the indicator used is the percentage change over the year to July in the 3-month average value of the whole economy earnings index (seasonally adjusted and including bonuses).

1.4 The unfreezing of working-age benefits

Before the announcement of changes to welfare benefits in response to the coronavirus outbreak (see [section 1.5](#)) the Government had already confirmed that regular upgrading of benefits and tax credits would resume in 2020/21 after several years of freezes and limits on upgrading.

Most working-age benefits and tax credit elements underwent a **four-year freeze** from 2016/17 to 2019/20. This followed a three-year period 2013/14 from 2015/16 when annual increases were limited to 1%. In addition, specific freezes affected Child Benefit and certain tax credit elements during the period from 2011/12 to 2013/14.

The working-age benefits that were affected included:

- Jobseekers' Allowance
- ESA personal allowances and work-related activity component
- Income Support
- Child and Working Tax Credit (non-disability-related elements)
- Housing benefits: various allowances/premiums and LHA rates
- The equivalents of the above in Universal Credit
- Child Benefit

Other working-age benefits, such as the ESA Support component (payable to those with the severest work-limiting conditions), disability and carers' benefits and statutory parental pay were unaffected.

Measures to freeze or limit the upgrading of working-age benefits since 2010

- [June Budget 2010](#): Child benefit: Freeze for 3 years from 2011-12
- [Spending Review 2010](#): WTC: freeze in the basic and 30-hour elements for three years from 2011-12
- [Autumn Statement 2011](#): WTC: freeze in the couples and lone parent element for one year (2012-13)
- [Autumn Statement 2012](#):
 - Working age benefits and tax credits: increase by 1% for three years from 2013-14
 - Child Benefit: increase by 1% for two years from 2014-15
 - Housing Benefit: increase Local Housing Allowance by 1% for two years from 2014-15 with provision for high rent areas
 - Universal Credit: finalise disregards and increase by 1% for two years from 2014-15
- [Summer Budget 2015](#): Upgrading: freeze working-age benefits, tax credits and Local Housing Allowances for 4 years from 2016-17

The four-year freeze

The four-year freeze was announced in the [2015 Summer Budget](#). The Government said that since 2008's financial crisis most benefits had risen by 21% compared to a rise in average earnings of 11% and that the freeze was necessary "to ensure it always pays to work".⁸ The four-year freeze kept affected benefits and tax credit elements at the same cash amount as in 2015/16.

If, instead of being frozen, benefits had been upgraded in line with the September CPI rate, they would have gone up by **0.0%** in **2016/17** (CPI was -0.1% in the relevant period, so benefits would not have gone up anyway); **1.0%** in **2017/18**; **3.0%** in **2018/19**; and **2.4%** in **2019/20**.

Further Information

Our [Welfare Reform and Work Bill Briefing Paper](#) has more on the Bill that legislated the four-year freeze (enacted as the [Welfare Reform and Work Act 2016](#)).

⁸ [Summer Budget 2015 para 1.137](#)

Cumulatively, if there had been no four-year freeze and affected benefits had risen in line with CPI, affected benefits **would have risen by 6.5%** in nominal terms by 2019/20 compared with 2015/16.

How much did the four-year freeze save the Exchequer?

The Office for Budget Responsibility (OBR) estimated in 2019 that the four-year freeze would save the Exchequer **£4.1 billion** in **2019/20**.⁹ This was £0.3 billion (rounded) more than the OBR's original forecast of £3.9 billion.¹⁰ This revision was due to inflation in 2016-2018 turning out higher than originally forecast,¹¹ an effect which was partially offset by higher-than-forecast earnings growth for families on Tax Credits.

Although benefit rates are to be unfrozen in April 2020, the four-year freeze continues to generate scorecard savings for the Exchequer, because it has set increases in benefit expenditure on a permanently lower trajectory. The OBR has forecast that the freeze saves **£4.3 billion** in **2020/21** relative to the no-freeze baseline. This figure does not take account of increases to specific benefit and tax credit rates subsequently announced in response to the coronavirus outbreak (see [section 1.5](#)).

The effect of freezes and limits on working-age benefit rates and tax credit elements, 2010 to 2020

The table below sets out the key benefits and tax credits affected by uprating limits and freezes over the past decade and compares the value of each one in 2020/21 (**not including coronavirus-related increases**) with what it would have been:

- without the four-year freeze, and
- if they had been uprated in line with CPI over the whole decade.

Overall, benefits and tax credits affected by the four-year freeze are around **6% lower** in 2020/21 than if CPI indexation had been applied during the four years of the freeze, not including coronavirus-related increases to certain payments.

Taking account of all uprating restrictions across the decade, and again not including coronavirus-related increases, affected benefits and tax credits are **between 9% and 17% lower** in 2020/21 than would have been the case if CPI indexation had applied throughout the decade – with the exception of the Child Tax Credit child element, which is only 1.4% lower on this basis due to the large above-indexation increase it received in 2011/12.

⁹ The Resolution Foundation separately estimated that the four-year freeze saved the government £4.7 billion a year by 2019/20, of which £1.8 billion was attributable to the final year of the freeze. See Resolution Foundation (14 March 2019), [Super, smashing, great: Spring Statement 2019 response](#), page 25

¹⁰ OBR [Welfare trends report December 2019](#) table 2.1. The Treasury separately estimated at Budget 2016 that the four-year freeze would save £3.5 billion annually by 2019/20 – see [Budget 2016](#), red book table 2.2 line as.

¹¹ In its [March 2016 Economic and Fiscal Outlook](#) (table 4.1), the Office for Budget Responsibility forecast that CPI inflation for uprating purposes would be 0.6% for 2017/18, 1.6% for 2018/19 and 2.1% for 2019/20. The actual figures for these years were 1.0%, 3.0% and 2.4% respectively.

The effect of freezes and limits on working-age benefit rates and tax credit elements, 2010 to 2020

Financial year:	2010-	2011-	2012-	2013-	2014-	2015-	2016-17 to	2020-	What benefits might have been in 2020-21 ^(b)															
	11	12	13	14	15	16	2019-20	21 ^(a)	without the four-year freeze			with CPI uprating since 2010												
Selected working-age benefit and tax credit rates (£ cash)	Specific freezes			1% uprating limit and specific freezes			Four-year freeze	CPI	Actual versus counterfactual			Actual versus counterfactual												
ESA, Income Support, JSA personal allowances (selected)																								
Single 25+ / lone parent 18+	£pw	65.45	67.50	71.00	71.70	72.40	73.10	73.10	74.35	79.20	-4.85	-6.1%	81.70	-7.35	-9.0%									
Couple (both over 18)	£pw	102.75	105.95	111.45	112.55	113.70	114.85	114.85	116.80	124.45	-7.65	-6.1%	128.30	-11.50	-9.0%									
ESA work-related activity component (a)																								
	£pw	25.95	26.75	28.15	28.45	28.75	29.05	29.05	29.55	31.55	-2.00	-6.3%	32.40	-2.85	-8.8%									
Child Benefit																								
First child	£pw	20.30	20.30	20.30	20.30	20.50	20.70	20.70	21.05	22.40	-1.35	-6.0%	25.40	-4.35	-17.1%									
Other children	£pw	13.40	13.40	13.40	13.40	13.55	13.70	13.70	13.95	14.85	-0.90	-6.1%	16.70	-2.75	-16.5%									
Universal Credit standard allowances ^(c)																								
Single under 25	£pm				246.81	249.28	251.77	251.77	256.05 ^(a)	272.77	-16.72	-6.1%	281.26	-25.21	-9.0%									
Single 25 or over	£pm				311.55	314.67	317.82	317.82	323.22 ^(a)	344.33	-21.11	-6.1%	355.02	-31.80	-9.0%									
Joint claimants both under 25	£pm				387.42	391.29	395.20	395.20	401.92 ^(a)	428.17	-26.25	-6.1%	441.47	-39.55	-9.0%									
Joint claimants, 1 or both 25+	£pm				489.06	493.95	498.89	498.89	507.37 ^(a)	540.50	-33.13	-6.1%	557.28	-49.91	-9.0%									
Tax Credit elements																								
CTC Child element	£pa	2,300	2,555	2,690	2,720	2,750	2,780	2,780	2,830	3,015	-185	-6.1%	2,870	-40	-1.4%									
WTC couples and lone parent	£pa	1,890	1,950	1,950	1,970	1,990	2,010	2,010	2,045	2,175	-130	-6.0%	2,355	-310	-13.2%									
WTC basic element	£pa	1,920	1,920	1,920	1,920	1,940	1,960	1,960	1,995 ^(a)	2,125	-130	-6.1%	2,395	-400	-16.7%									
WTC 30-hour element	£pa	790	790	790	790	800	810	810	825	880	-55	-6.3%	990	-165	-16.7%									

Dark blue: cash freeze Light blue: 1% uprating limit Orange: one-off above-inflation increase

Notes: (a) The UC standard allowances and WTC basic element shown here for 2020/21 are the originally announced rates and do **not** include the further increases (+£86.67 pm for UC standard allowances, +£1,045 pa for WTC basic element) announced in March 2020 in response to the coronavirus outbreak. See [section 1.5](#) for the revised amounts.

(b) Rounding has been applied as follows: 5p (weekly benefit rates), 1p (monthly UC rates), £5 (annual Tax Credit elements).

(c) UC amounts were first set in 2013/14. We treat the starting UC rates shown here as having been affected by the first year of the 1% uprating limit because they are based on corresponding allowances and elements in the legacy benefit and tax credit system. UC child amounts are not shown here but broadly equate to Child Tax Credit (CTC) elements.

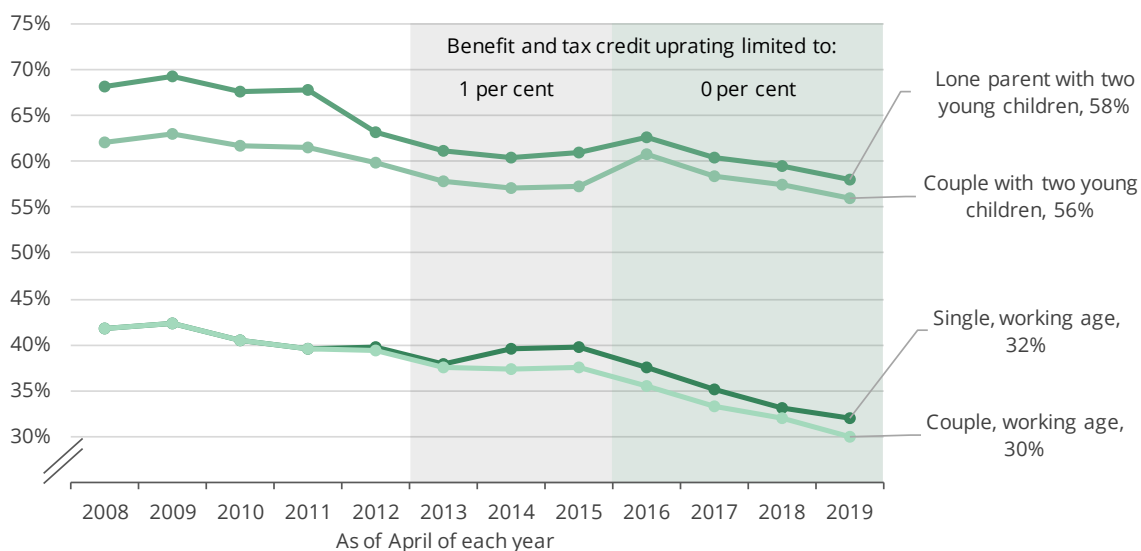
What have limits on benefit uprating meant for income adequacy?

The Joseph Rowntree Foundation's [Minimum Income Standard \(MIS\)](#) is a measure of the income needed for a minimum 'acceptable' standard of living in the UK. It is calculated by specifying baskets of goods and services required by different household types in order to meet their needs, and to participate in society. The process combines expert knowledge with in-depth consultation with members of the public, to determine the minimum level of income different households need. Minimum Income Standards were launched in July 2008 and have been updated each year since.

In its [2019 report](#), the JRF assessed what percentage of the MIS for different family types was provided by the welfare 'safety net' (consisting of benefits and tax credits for workless claimants) over the period from 2008-2019.

During the period of blanket limits and freezes on working-age benefit and tax credit rates from 2013 onwards, the percentage of the MIS for working-age childless adults covered by benefits fell from around two-fifths in 2012 to a less than a third in 2019. Safety net coverage also fell for families with two children over the same period: for a lone parent with two young children the percentage fell from 63% in 2012 and 58% in 2019, and for a couple with two children the percentage fell from 60% in 2012 to 56% in 2019.

'Safety net' income provided by benefits and tax credits to workless working-age claimants, expressed as a percentage of the JRF's 'Minimum Income Standard'



Source: Joseph Rowntree Foundation (JRF) *A Minimum Income Standard for the UK 2008-2019: continuity and change* (July 2019) table 8.

Note: Minimum Income Standard is JRF's assessment of the acceptable minimum for UK households to be able to afford material needs (e.g. food, clothing, shelter) and to participate in society. Safety net income from benefits includes IS/JSA plus Child Tax Credit and Child Benefit minus the portion of rent and Council Tax costs not covered by Housing Benefit/local Council Tax support. 'Two young children' here means children aged 4 and 7.

1.5 The response to COVID-19

On 20 March 2020 the Chancellor of the Exchequer Rishi Sunak announced a support package for individuals and businesses in response to the economic disruption caused by the coronavirus outbreak.¹² This included the following increases to benefit and tax credit amounts, on top of those that had already been announced for 2020/21:

- **Universal Credit standard allowances** and **Working Tax Credit basic element**: to be increased by £1,000 per year
- **Local Housing Allowance rates**: to be reset to the 30th percentile market rent in each broad rental market area.

The legislation giving effect to these changes is:

- Working Tax Credit basic element: [Coronavirus Act 2020 section 77\(1\)](#)
- Other Coronavirus-related welfare changes: [The Social Security \(Coronavirus\) \(Further Measures\) Regulations 2020 \(SI 2020/371\)](#).

The increased Universal Credit standard allowances and Working Tax Credit basic element for 2020/21 are shown in the table below. In practice, Universal Credit rates have been increased by £1,040.04 per year (£86.67 per month) and the Working Tax Credit basic element by £1,045 compared with the previously announced rates for 2020/21. In both cases this equates to an increase worth around **£20 a week**.

Changes to Universal Credit standard allowances and Working Tax Credit basic element in response to coronavirus					
	2019/20	2020/21			
		Original rates		With coronavirus increase	
	£ per month	£ per month	% change vs 2019/20	£ per month	% change vs 2019/20
Universal Credit standard allowances					
Single under 25	251.77	256.05	+1.7%	342.72	+36.1%
Single 25 or over	317.82	323.22	+1.7%	409.89	+29.0%
Joint claimants both under 25	395.20	401.92	+1.7%	488.59	+23.6%
Joint claimants, one or both 25+	498.89	507.37	+1.7%	594.04	+19.1%
Working Tax Credit	£ per year	£ per year	% change vs 2019/20	£ per year	% change vs 2019/20
Basic element	1,960	1,995	+1.8%	3,040	+55.1%

The coronavirus-related increases make these amounts higher than they would have been in 2020/21 in normal circumstances without the four-year freeze or the three-year 1% indexation limit that preceded it. Our estimates of what these amounts would have been in this counterfactual scenario are shown in [section 1.4](#). For instance, the enhanced Working Tax Credit basic element (£3,040 in 2020/21) is worth £915 more than it would have been this year without the four-year freeze or any coronavirus-related change (£2,125).

¹² See Gov.uk [The Chancellor Rishi Sunak provides an updated statement on coronavirus](#) and [Chancellor announces workers' support package](#) (both 20 March 2020)

The *Coronavirus Act 2020* states that these increases, as well as any other potential coronavirus-related modifications to DWP benefit rates, are to be disregarded for the purposes of the statutory annual review of benefit rates relative to price inflation.¹³

Local Housing Allowance rates

Local Housing Allowance (LHA) rates determine the maximum amount of housing cost support that tenants in privately rented accommodation can receive as part of their benefit claim. They apply in both the legacy housing benefits system and in Universal Credit. There are 1,000 distinct LHA rates in operation in the UK: five in each of the country's 200 broad rental market areas (BRMA) depending on dwelling type.

In 2011/12 each LHA rate was benchmarked against the corresponding 30th percentile market rent, with caps further limiting the maximum payable in the most expensive areas. CPI indexation in 2013/14 and further restrictions on LHA rate-setting since 2014/15 (see [section 1.4](#) for some of the key policies) then caused LHA to diverge from 30th percentile rents, such that by April of this year 946 of the 1,000 LHA rates in the UK were poised to be lower than the corresponding 30th percentile – with an average shortfall of 9.6% (see table below).

The Chancellor announced as part of the Government's coronavirus support package that LHA rates would be reset to the 30th percentile, stating that "the Local Housing Allowance will cover at least 30% of market rents in your area."¹⁴ LHA caps remain in place but have been upwardly revised to the equivalent of the highest outer London 30th percentile rent plus 20%, enabling LHA to provide increased coverage in every private rental market segment in Great Britain. Even after this increase, the caps still bite at a lower level than the 30th percentile for 15 of the 30 LHA rates in central and inner London.

Comparison of LHA rates in the UK for 2020/21 before and after the decision to reset them to 30th percentile rents and raise LHA caps in response to coronavirus

	Number of LHA rates	Before			After		
		LHA rates below 30th percentile rent		Average % gap relative to 30th percentile ^(a)	LHA rates below 30th percentile rent		Average % gap relative to 30th percentile ^(a)
		count	% of total		count	% of total	
United Kingdom	1,000	946	95%	-9.6%	15	2%	-0.2%
<i>of which:</i>							
Central/Inner London	30	30	100%	-18.9%	15	50%	-6.2%
Outer London	40	40	100%	-13.1%	0	0%	0.0%
Rest of England	690	659	96%	-9.5%	0	0%	0.0%
Scotland	90	76	84%	-9.1%	0	0%	0.0%
Wales	110	102	93%	-7.0%	0	0%	0.0%
Northern Ireland	40	39	98%	-8.2%	0	0%	0.0%

Note (a): Simple average of percentage differences between LHA rate and 30th percentile across all LHA rates including those with no gap.

Sources: LHA rates in [England](#), [Scotland](#), [Wales](#), [Northern Ireland](#): VOA and devolved administrations

¹³ [Coronavirus Act 2020 section 77\(2\) and \(3\)](#)

¹⁴ Gov.uk [The Chancellor's updated statement on coronavirus](#) (20 March 2020)

1.6 Household benefit cap

From April 2013, the amount of benefits and tax credits that a working-age workless household could receive was capped at £26,000 for a couple or lone parent household (£18,200 for childless single adults).

With effect from 7 November 2016 the cap was lowered to:

- £20,000 for couples and lone parents outside Greater London (£13,400 for single adults with no children) and to
- £23,000 for couples and lone parents in Greater London (£15,410 for single adults with no children).

The cap will remain at these levels in 2020/21.

2. Benefit rates

2.1 Old State Pension

Basic State Pension

For 2020/21 the Basic State Pension will increase by **3.9%** in line with the **triple lock**, which since 2012/13 has ensured that the Basic State Pension increases by the highest of the increase in earnings, price inflation (as measured by the CPI) or 2.5%. 3.9% was the increase in average earnings.

This will result in the single rate rising by £5.05 per week (from £129.20 to **£134.25**) and the married rate (on one spouse's contribution) by £8.05 per week (from £206.65 to **£214.70**).

Table 1a - BASIC STATE PENSION

£ per week, full amount

	Individual (on own contributions)			Couple (married or civil partners) on one person's contributions		
	Amount £ per week	Change on previous year		Amount £ per week	Change on previous year	
		£ per week	%		£ per week	%
2002/03	75.50	+3.00	+4.1%	120.70	+4.80	+4.1%
2003/04	77.45	+1.95	+2.6%	123.80	+3.10	+2.6%
2004/05	79.60	+2.15	+2.8%	127.25	+3.45	+2.8%
2005/06	82.05	+2.45	+3.1%	131.20	+3.95	+3.1%
2006/07	84.25	+2.20	+2.7%	134.75	+3.55	+2.7%
2007/08	87.30	+3.05	+3.6%	139.60	+4.85	+3.6%
2008/09	90.70	+3.40	+3.9%	145.05	+5.45	+3.9%
2009/10	95.25	+4.55	+5.0%	152.30	+7.25	+5.0%
2010/11	97.65	+2.40	+2.5%	156.15	+3.85	+2.5%
2011/12	102.15	+4.50	+4.6%	163.35	+7.20	+4.6%
2012/13	107.45	+5.30	+5.2%	171.85	+8.50	+5.2%
2013/14	110.15	+2.70	+2.5%	176.15	+4.30	+2.5%
2014/15	113.10	+2.95	+2.7%	180.90	+4.75	+2.7%
2015/16	115.95	+2.85	+2.5%	185.45	+4.55	+2.5%
2016/17	119.30	+3.35	+2.9%	190.80	+5.35	+2.9%
2017/18	122.30	+3.00	+2.5%	195.60	+4.80	+2.5%
2018/19	125.95	+3.65	+3.0%	201.45	+5.85	+3.0%
2019/20	129.20	+3.25	+2.6%	206.65	+5.20	+2.6%
2020/21	134.25	+5.05	+3.9%	214.70	+8.05	+3.9%

See **Table 3C**
for more data

Source DWP proposed benefit and pension rates, various editions

Additional State Pension

On top of the Basic State Pension, the earnings-related Additional State Pension – consisting of State Second Pension (S2P) or its predecessor the State Earnings-Related Pension Scheme (SERPS) – is increased in line with the September 2018 CPI. This means that the Additional State Pension will increase by 1.7% for financial year 2020/21.

2.2 New State Pension

The New State Pension (NSP) is the single-tier successor to the two-tier Basic/Additional State Pension system and applies to those reaching State Pension Age **on or after 6 April 2016**. Pensioners who reached State Pension age before that date remain in the old system.

The NSP was first set at £155.65 per week for 2016/17.¹⁵ The full amount is paid to pensioners who have at least 35 National Insurance qualifying years. People who have fewer than 35 qualifying years (but at least ten) receive a pro-rata amount of the full rate.

Under the new system, a comparison is made of an individual's rights accrued before 6 April 2016 under both the new and old system rules. If the individual's rights calculated under the old system are higher than the full NSP, then the difference between the two is added onto the NSP as a 'protected payment' – which ensures that the starting pension is not lower than what would have been expected under the old system.

For uprating purposes, the NSP and the protected payment are treated differently – the NSP is uprated by the triple lock whereas the protected payment is uprated in line with CPI inflation.

For 2020/21 the New State Pension will increase by **3.9%** in line with the triple lock, resulting in an increase of £6.60 in the full NSP (from £168.60 to **£175.20**). Protected payments will increase by 1.7% (CPI).

Table 1b - NEW STATE PENSION

£ per week, full rate for an individual

	Amount £ per week	Change on previous year	
		£ per week	%
2016/17	155.65	..	..
2017/18	159.55	+3.90	+2.5%
2018/19	164.35	+4.80	+3.0%
2019/20	168.60	+4.25	+2.6%
2020/21	175.20	+6.60	+3.9%

Source DWP proposed benefit and pension rates, various editions

Further Information

See our research paper on [The new State Pension](#) for background on the changes to the State Pension system for people reaching State Pension age on or after 6 April 2016.

¹⁵ HM Treasury (27 Nov 2015), [Spending Review and Autumn Statement 2015](#).

2.3 Pension Credit

Guarantee Credit

The 'standard minimum guarantee' provides a guaranteed minimum income for pensioners. Incomes below this level can be topped up to the minimum by means of Pension Credit Guarantee Credit.

The [Pensions Act 2007](#) requires the Government to increase the standard minimum guarantee at least by the increase in earnings.

For 2020/21 the Guarantee Credit will rise in line with earnings (+3.9%). This means that the **single person's** minimum guarantee rises by £6.50 (from £167.25 to **£173.75** per week) and for **couples** the increase is £9.95 (from £255.25 to **£265.20** per week).

The table below shows the level of the pensioner income guarantee since 2002/03.

Table 2 - PENSION CREDIT GUARANTEE CREDIT ^(a)						
<i>Standard minimum guarantee, £ per week</i>						
	Single			Couple		
	Amount	Change on previous year		Amount	Change on previous year	
	£ per week	£ per week	%	£ per week	£ per week	%
2002/03	98.15	+6.00	+6.5%	149.80	+9.25	+6.6%
2003/04	102.10	+3.95	+4.0%	155.80	+6.00	+4.0%
2004/05	105.45	+3.35	+3.3%	160.95	+5.15	+3.3%
2005/06	109.45	+4.00	+3.8%	167.05	+6.10	+3.8%
2006/07	114.05	+4.60	+4.2%	174.05	+7.00	+4.2%
2007/08	119.05	+5.00	+4.4%	181.70	+7.65	+4.4%
2008/09	124.05	+5.00	+4.2%	189.35	+7.65	+4.2%
2009/10	130.00	+5.95	+4.8%	198.45	+9.10	+4.8%
2010/11	132.60	+2.60	+2.0%	202.40	+3.95	+2.0%
2011/12	137.35	+4.75	+3.6%	209.70	+7.30	+3.6%
2012/13	142.70	+5.35	+3.9%	217.90	+8.20	+3.9%
2013/14	145.40	+2.70	+1.9%	222.05	+4.15	+1.9%
2014/15	148.35	+2.95	+2.0%	226.50	+4.45	+2.0%
2015/16	151.20	+2.85	+1.9%	230.85	+4.35	+1.9%
2016/17	155.60	+4.40	+2.9%	237.55	+6.70	+2.9%
2017/18	159.35	+3.75	+2.4%	243.25	+5.70	+2.4%
2018/19	163.00	+3.65	+2.3%	248.80	+5.55	+2.3%
2019/20	167.25	+4.25	+2.6%	255.25	+6.45	+2.6%
2020/21	173.75	+6.50	+3.9%	265.20	+9.95	+3.9%

Source DWP proposed benefit and pension rates, various editions

Note (a) from 2003/04 onwards: Pension Credit Guarantee Credit. For 1999/00 to 2002/03: Minimum Income Guarantee (MIG)

For the years **2011/12 to 2015/16** and **2018/19**, periods of relatively low earnings growth, earnings indexation would have meant that Guarantee Credit recipients failed to benefit from the underlying cash increase in the triple-locked Basic State Pension. As a result, the Government chose to 'pass through' the cash increase in the Basic State Pension to the Guarantee Credit, resulting in an above-earnings increase in those years.¹⁶

Savings Credit

Pension Credit Savings Credit is payable to pensioners who reached State Pension age **before 6 April 2016**. It is not payable to people who reached State Pension age in the new State Pension system (on or after 6 April 2016).

Savings Credit is intended to ensure that the Pension Credit means-test does not eliminate the financial incentive to make additional personal pension savings. Those whose extra provision towards their retirement (such as savings or an occupational pension) raises their pension income above the Savings Credit threshold get 60p for every £1 their income exceeded the threshold, up to a maximum weekly award.

The [2006 Pensions White Paper](#) stated that from 2008/09 onwards the Savings Credit threshold would rise in line with earnings.¹⁷

However, in order to finance above-earnings increases in the Guarantee Credit in 2011/12 to 2015/16 inclusive and in 2018/19 (described above) the Savings Credit threshold was increased by more than earnings in each of these years.¹⁸ The threshold was also raised above the rise in average earnings in 2016/17.

In addition, after a freeze in 2011/12 the maximum award was cut in each year from 2012/13 to 2016/17.¹⁹

For **2020/21** the **threshold** will rise as follows:

- from £144.38 to **£150.47** per week for single people (+4.2%);
- from £229.67 to **£239.17** per week for couples (+4.1%).

The **maximum award** payable through Savings Credit will rise in line with **CPI** (+1.7%):

- from £13.73 to **£13.97** per week for single people;
- from £15.35 to **£15.62** per week for couples.

See **Table 3C** for more data on the Pension Credit Savings Credit.

¹⁶ For the 2018/19 pass-through, see HM Treasury [Autumn Budget 2017](#).

¹⁷ DWP [Security in Retirement White Paper, Cm 6841 – National Archives snapshot taken 03/01/2013](#)

¹⁸ For 2018/19 see HM Treasury [Autumn Budget 2017](#).

¹⁹ The Government had previously announced in the 2010 Spending Review that the maximum awards would be frozen at the 2010-11 levels of £20.52 and £27.09 until 2014-15.

2.4 Child Benefit

Child Benefit is administered by HM Revenue and Customs. There is no statutory requirement for Child Benefit to be increased, but the usual practice is to index it in line with inflation.

Child Benefit was frozen between 2010/11 and 2013/14, increased by 1% in both 2014/15 and 2015/16, and then was frozen again (along with most other working age benefits) for four years between 2016/17 and 2019/20.

In 2020/21, Child Benefit rises in line with CPI (+1.7%)

- For the eldest child, from £20.70 to **£21.05** per week
- For each subsequent child, from £13.70 to **£13.95** per week.

Since January 2013, Child Benefit has been clawed back from families where the highest earner has a gross annual income in excess of £50,000. If the family has someone earning £60,000 or more, 100% of Child Benefit is clawed back.²⁰ These thresholds are not subject to indexation and have not changed since they were first introduced.

2.5 Other benefits

All other inflation-linked benefits will increase by 1.7% (CPI).

Tables 3a and 3b show the main out-of-work working age benefits, disability and carer benefits, and child and parental benefits for 2019/20 and the preceding nine years.

Table 3c shows pensioner benefit rates in 2019/20 along with those of the preceding nine years.

²⁰ For more details see Library Briefing Paper SN06299 [Child Benefit for higher income families](#).

TABLE 3a - SOCIAL SECURITY BENEFITS - KEY OUT-OF-WORK BENEFITS FOR WORKING-AGE CLAIMANTS

£ per week

	2011/12		2012/13		2013/14		2014/15		2015/16		2016/17		2017/18		2018/19		2019/20		2020/21			
	£ per week	% incr.	£ per week	% incr.	£ per week	% incr.	£ per week	% incr.	£ per week	% incr.	£ per week	% incr.	£ per week	% incr.	£ per week	% incr.	£ per week	% incr.	£ per week	% incr.		
ESA, Income Support, JSA (income-based)																						
Personal allowances (selected rates):																						
Single under 25/lone parent under 18	53.45	+3.1	56.25	+5.2	56.80	+1.0	57.35	+1.0	57.90	+1.0	57.90	+0.0	57.90	+0.0	57.90	+0.0	57.90	+0.0	57.90	+0.0	58.90	+1.7
Single 25+ / lone parent 18+	67.50	+3.1	71.00	+5.2	71.70	+1.0	72.40	+1.0	73.10	+1.0	73.10	+0.0	73.10	+0.0	73.10	+0.0	73.10	+0.0	73.10	+0.0	74.35	+1.7
Couple (both over 18)	105.95	+3.1	111.45	+5.2	112.55	+1.0	113.70	+1.0	114.85	+1.0	114.85	+0.0	114.85	+0.0	114.85	+0.0	114.85	+0.0	114.85	+0.0	116.80	+1.7
Jobseeker's Allowance (contribution-based)																						
Under 25	53.45	+3.1	56.25	+5.2	56.80	+1.0	57.35	+1.0	57.90	+1.0	57.90	+0.0	57.90	+0.0	57.90	+0.0	57.90	+0.0	57.90	+0.0	58.90	+1.7
25 or over	67.50	+3.1	71.00	+5.2	71.70	+1.0	72.40	+1.0	73.10	+1.0	73.10	+0.0	73.10	+0.0	73.10	+0.0	73.10	+0.0	73.10	+0.0	74.35	+1.7
Universal Credit - Standard allowances^(a)																						
Single under 25	..	..	..	..	56.80	..	57.37	+1.0	57.94	+1.0	57.94	+0.0	57.94	+0.0	57.94	+0.0	57.94	+0.0	57.94	+0.0	78.88 (b)	+36.1
Single 25 or over	..	..	..	..	71.70	..	72.42	+1.0	73.15	+1.0	73.15	+0.0	73.15	+0.0	73.15	+0.0	73.15	+0.0	73.15	+0.0	94.34 (b)	+29.0
Joint claimants both under 25					89.16		90.06	+1.0	90.96	+1.0	90.96	+0.0	90.96	+0.0	90.96	+0.0	90.96	+0.0	90.96	+0.0	112.45 (b)	+23.6
Joint claimants, one or both 25 or over	..	..	..	..	112.56	..	113.68	+1.0	114.82	+1.0	114.82	+0.0	114.82	+0.0	114.82	+0.0	114.82	+0.0	114.82	+0.0	136.72 (b)	+19.1
ESA components (added to personal allowances)																						
Work-related activity group component ^(c)	26.75	+3.1	28.15	+5.2	28.45	+1.1	28.75	+1.1	29.05	+1.0	29.05	+0.0	29.05	+0.0	29.05	+0.0	29.05	+0.0	29.05	+0.0	29.55	+1.7
Support Group component	32.35	+3.0	34.05	+5.3	34.80	+2.2	35.75	+2.7	36.20	+1.3	36.20	+0.0	36.55	+1.0	37.65	+3.0	38.55	+2.4	38.55	+2.4	39.20	+1.7
Severe Disablement Allowance																						
Basic rate + higher age-related addition	76.75	+3.1	80.70	+5.1	82.50	+2.2	84.75	+2.7	85.80	+1.2	85.80	+0.0	86.65	+1.0	89.25	+3.0	91.40	+2.4	91.40	+2.4	92.95	+1.7
Benchmarks for uprating																						
Consumer Prices index (CPI)		+3.1		+5.2		+2.2		+2.7		+1.2		-0.1		+1.0		+3.0		+2.4			+1.7	
Earnings ^(d)		+2.0		+2.8		+1.6		+1.2		+0.6		+2.9		+2.4		+2.2		+2.6			+3.9	
Retail Prices Index (RPI)		+4.6		+5.6		+2.6		+3.2		+2.3		+0.8		+2.0		+3.9		+3.3			+2.4	

Notes '% increase' can differ from the relevant uprating benchmark due to rounding and uprating conventions. (a) Universal Credit (UC) rates are expressed here in weekly amounts but UC is paid monthly. See table 5 for the official monthly UC amounts. (b) 2020/21 rates included the above-indexation increase provided in response to the coronavirus outbreak. (c) ESA Work Related Activity Component was abolished for new claimants from April 2017. (d) Earnings growth measured by AEI up to 2011-12 inclusive; AWE thereafter (AWE figure for 2011-12 was +1.3%). Source DWP proposed benefit and pension rates, various editions

TABLE 3b - SOCIAL SECURITY BENEFITS - DISABILITY AND CARER BENEFITS; CHILD AND PARENTAL BENEFITS

£ per week

	2011/12		2012/13		2013/14		2014/15		2015/16		2016/17		2017/18		2018/19		2019/20		2020/21	
	£ per week	% incr.	£ per week	% incr.	£ per week	% incr.	£ per week	% incr.	£ per week	% incr.	£ per week	% incr.	£ per week	% incr.	£ per week	% incr.	£ per week	% incr.	£ per week	% incr.
Attendance Allowance																				
Higher Rate	73.60	+3.1	77.45	+5.2	79.15	+2.2	81.30	+2.7	82.30	+1.2	82.30	+0.0	83.10	+1.0	85.60	+3.0	87.65	+2.4	89.15	+1.7
Lower Rate	49.30	+3.1	51.85	+5.2	53.00	+2.2	54.45	+2.7	55.10	+1.2	55.10	+0.0	55.65	+1.0	57.30	+3.0	58.70	+2.4	59.70	+1.7
Carer's Allowance ^(a)																				
	55.55	+3.1	58.45	+5.2	59.75	+2.2	61.35	+2.7	62.10	+1.2	62.10	+0.0	62.70	+1.0	64.60	+3.0	66.15	+2.4	67.25	+1.7
Personal Independence Payment (PIP) and Disability Living Allowance (DLA)																				
PIP Daily Living: enhanced | DLA Care: highest	73.60	+3.1	77.45	+5.2	79.15	+2.2	81.30	+2.7	82.30	+1.2	82.30	+0.0	83.10	+1.0	85.60	+3.0	87.65	+2.4	89.15	+1.7
PIP Daily Living: standard | DLA Care: middle	49.30	+3.1	51.85	+5.2	53.00	+2.2	54.45	+2.7	55.10	+1.2	55.10	+0.0	55.65	+1.0	57.30	+3.0	58.70	+2.4	59.70	+1.7
DLA Care: lowest	19.55	+3.2	20.55	+5.1	21.00	+2.2	21.55	+2.6	21.80	+1.2	21.80	+0.0	22.00	+0.9	22.65	+3.0	23.20	+2.4	23.60	+1.7
PIP Mobility: enhanced | DLA Mobility: higher	51.40	+3.1	54.05	+5.2	55.25	+2.2	56.75	+2.7	57.45	+1.2	57.45	+0.0	58.00	+1.0	59.75	+3.0	61.20	+2.4	62.25	+1.7
PIP Mobility: standard | DLA Mobility: lower	19.55	+3.2	20.55	+5.1	21.00	+2.2	21.55	+2.6	21.80	+1.2	21.80	+0.0	22.00	+0.9	22.65	+3.0	23.20	+2.4	23.60	+1.7
Child Benefit																				
First child	20.30	+0.0	20.30	+0.0	20.30	+0.0	20.50	+1.0	20.70	+1.0	20.70	+0.0	20.70	+0.0	20.70	+0.0	20.70	+0.0	21.05	+1.7
Each additional child	13.40	+0.0	13.40	+0.0	13.40	+0.0	13.55	+1.1	13.70	+1.1	13.70	+0.0	13.70	+0.0	13.70	+0.0	13.70	+0.0	13.95	+1.8
Guardian's Allowance																				
	14.75	+3.1	15.55	+5.4	15.90	+2.3	16.35	+2.8	16.55	+1.2	16.55	+0.0	16.70	+0.9	17.20	+3.0	17.60	+2.3	17.90	+1.7
Statutory Maternity/Paternity/Parental/Adoption Pay; Maternity Allowance - std rate																				
	128.73	+3.1	135.45	+5.2	136.78	+1.0	138.18	+1.0	139.58	+1.0	139.58	+0.0	140.98	+1.0	145.18	+3.0	148.68	+2.4	151.20	+1.7
Benchmarks for uprating																				
Consumer Prices index (CPI)		+3.1		+5.2		+2.2		+2.7		+1.2		-0.1		+1.0		+3.0		+2.4		+1.7
Earnings		+2.0		+2.8		+1.6		+1.2		+0.6		+2.9		+2.4		+2.2		+2.6		+3.9
Retail Prices Index (RPI)		+4.6		+5.6		+2.6		+3.2		+2.3		+0.8		+2.0		+3.9		+3.3		+2.4

Notes % increase' can differ from the relevant uprating benchmark due to rounding and uprating conventions. (a) from 2020, responsibility for uprating Carer's Allowance in Scotland passes to the Scottish Government. (a) From 2019/20 onwards, the Scottish Government is responsible for setting Carer's Allowance in Scotland. The Scottish rate in 2019/20 was the same as the rest of the UK (£66.15). The 2020/21 figure shown here is the rate set by the DWP for England and Wales. **Sources** Dept for Work and Pensions and HM Treasury

TABLE 3c - SOCIAL SECURITY BENEFITS - PENSIONER BENEFITS

£ per week

	2011/12		2012/13		2013/14		2014/15		2015/16		2016/17		2017/18		2018/19		2019/20		2020/21	
	£ per week	% incr.	£ per week	% incr.	£ per week	% incr.	£ per week	% incr.	£ per week	% incr.	£ per week	% incr.	£ per week	% incr.	£ per week	% incr.	£ per week	% incr.	£ per week	% incr.
Old State Pension - Basic (full)																				
Individual on own contribs (<i>Category A or B</i>)	102.15	+4.6	107.45	+5.2	110.15	+2.5	113.10	+2.7	115.95	+2.5	119.30	+2.9	122.30	+2.5	125.95	+3.0	129.20	+2.6	134.25	+3.9
Spouse or civil partner (<i>Category B lower</i>)	61.20	+4.6	64.40	+5.2	66.00	+2.5	67.80	+2.7	69.50	+2.5	71.50	+2.9	73.30	+2.5	75.50	+3.0	77.45	+2.6	80.45	+3.9
Couple on one person's contributions (<i>Category A + Category B lower</i>)	163.35	+4.6	171.85	+5.2	176.15	+2.5	180.90	+2.7	185.45	+2.5	190.80	+2.9	195.60	+2.5	201.45	+3.0	206.65	+2.6	214.70	+3.9
New State Pension																				
Full amount	..	..	..	..	..	..	..	..	..	..	155.65	N/A	159.55	+2.5	164.35	+3.0	168.60	+2.6	175.20	+3.9
Pension Credit																				
Standard minimum guarantee - Single	137.35	+3.6	142.70	+3.9	145.40	+1.9	148.35	+2.0	151.20	+1.9	155.60	+2.9	159.35	+2.4	163.00	+2.3	167.25	+2.6	173.75	+3.9
Standard minimum guarantee - Couple	209.70	+3.6	217.90	+3.9	222.05	+1.9	226.50	+2.0	230.85	+1.9	237.55	+2.9	243.25	+2.4	248.80	+2.3	255.25	+2.6	265.20	+3.9
Savings Credit threshold - Single	103.15	+4.8	111.80	+8.4	115.30	+3.1	120.35	+4.4	126.50	+5.1	133.82	+5.8	137.35	+2.6	140.67	+2.4	144.38	+2.6	150.47	+4.2
Savings Credit threshold - Couple	164.55	+4.6	178.35	+8.4	183.90	+3.1	192.00	+4.4	201.80	+5.1	212.97	+5.5	218.42	+2.6	223.82	+2.5	229.67	+2.6	239.17	+4.1
Savings Credit maximum award - Single	20.52	+0.0	18.54	-9.6	18.06	-2.6	16.80	-7.0	14.82	-11.8	13.07	-11.8	13.20	+1.0	13.40	+1.5	13.72	+2.4	13.97	+1.8
Savings Credit maximum award - Couple	27.09	+0.0	23.73	-12.4	22.89	-3.5	20.70	-9.6	17.43	-15.8	14.75	-15.4	14.90	+1.0	14.99	+0.6	15.35	+2.4	15.62	+1.8
Benchmarks for uprating																				
Consumer Prices index (CPI)	+3.1		+5.2		+2.2		+2.7		+1.2		-0.1		+1.0		+3.0		+2.4		+1.7	
Earnings ^(a)	+2.0		+2.8		+1.6		+1.2		+0.6		+2.9		+2.4		+2.2		+2.6		+3.9	
Triple-lock (highest of CPI, earnings or 2.5%)	..		+5.2		+2.5		+2.7		+2.5		+2.9		+2.5		+3.0		+2.6		+3.9	
Retail Prices Index (RPI)	+4.6		+5.6		+2.6		+3.2		+2.3		+0.8		+2.0		+3.9		+3.3		+2.4	

Notes % increase' can differ from the relevant uprating benchmark due to rounding and uprating conventions. (a) Earnings growth measured by AEI up to 2011-12 inclusive; AWE thereafter (AWE figure for 2011-12 was +1.3%).

Source DWP proposed benefit and pension rates, various editions.

3. Tax credits

Under the [Tax Credits Act 2002](#) the Treasury is required to review the value of tax credit elements on an annual basis 'in order to determine whether they have retained their value in relation to the general level of prices in the United Kingdom as estimated by the Treasury in such manner as it considers appropriate.'²¹

CPI became the default inflation benchmark for tax credit elements from 2011/12 onwards, as announced in the June 2010 Budget.²² However, the Child Tax Credit (CTC) family element has never been uprated (£545 p.a. since the introduction of the current tax credit system in 2003). Also, the childcare element in Working Tax Credit (WTC) has not been inflation-linked, on the grounds that childcare costs do not necessarily follow trends in the overall price level.

Between 2016/17 and 2019/20 the uprating freeze applied to those core CTC and WTC elements that are conventionally inflation-linked. For 2020/21 all Tax Credit elements (aside from the CTC family element and WTC childcare element mentioned above) are increased in line with CPI (+1.7%) and in addition the WTC basic element is boosted by a further £1,045 (to £3,040) in response to the coronavirus outbreak.

Also, after many years of being held at the same cash level, both of the income thresholds (the level of income a family can have before its Tax Credits start to be tapered) will be increased in line with CPI. The threshold for in-work families rises from £6,420 to **£6,530** and the threshold for out-of-work families (on Child Tax Credit only) rises from £16,105 to **£16,385**. The rate at which tax credit payments are tapered as earnings rise will stay at **41p** for every pound earned- that is, at 41%.

Tax credit entitlement is based on the tax year. Awards are paid annually based on the claimant's current circumstances and income from the previous year. At the end of the year HMRC reviews a claimant's circumstances and, if the claimant's income has changed from what it was initially projected to be, may retrospectively change their tax credit award. The 'income disregard' is the amount by which a household's income can increase in the tax year without triggering a review of its entitlement. This remains unchanged at £2,500 in 2020/21.

Tax credit rates and thresholds for 2020/21 and the preceding nine years are shown in Table 4.

Changes to Child Tax Credits from April 2017

The Government has abolished the Child Tax Credits Family Element for new claims from April 2017 and limited the child element to two children for most new claims and births from April 2017. Our research paper [The two child limit in tax credits and Universal Credit](#) provides further details.

²¹ [Tax Credits Act 2002 Section 41](#).

²² Previously, the expectation had been that the basic Working Tax Credit would be reviewed in line with prices and the Child Tax Credit in line with earnings – see [HL Deb 23 May 2002 vol 635 c144GC](#) [Lords Committee Stage of the Tax Credits Bill]

TABLE 4 - HMRC CHILD AND WORKING TAX CREDITS - RATES AND THRESHOLDS*£ per year unless otherwise stated*

	2011/12		2012/13		2013/14		2014/15		2015/16		2016/17		2017/18		2018/19		2019/20		2020/21	
	£ per year	% incr.	£ per year	% incr.	£ per year	% incr.	£ per year	% incr.	£ per year	% incr.	£ per year	% incr.	£ per year	% incr.	£ per year	% incr.	£ per year	% incr.	£ per year	% incr.
Child Tax Credit																				
Family element ^(a)	545	+0.0	545	+0.0	545	+0.0	545	+0.0	545	+0.0	545	+0.0	545	+0.0	545	+0.0	545	+0.0	545	+0.0
Child element	2,555	+11.1	2,690	+5.3	2,720	+1.1	2,750	+1.1	2,780	+1.1	2,780	+0.0	2,780	+0.0	2,780	+0.0	2,780	+0.0	2,830	+1.8
Disabled child element (additional)	2,800	+3.1	2,950	+5.4	3,015	+2.2	3,100	+2.8	3,140	+1.3	3,140	+0.0	3,175	+1.1	3,275	+3.1	3,355	+2.4	3,415	+1.8
Severely disabled child element (additional)	1,130	+3.2	1,190	+5.3	1,220	+2.5	1,255	+2.9	1,275	+1.6	1,275	+0.0	1,290	+1.2	1,325	+2.7	1,360	+2.6	1,385	+1.8
Working Tax Credit																				
Basic element	1,920	+0.0	1,920	+0.0	1,920	+0.0	1,940	+1.0	1,960	+1.0	1,960	+0.0	1,960	+0.0	1,960	+0.0	1,960	+0.0	3,040 (b)	+55.1
Couples and lone parent element	1,950	+3.2	1,950	+0.0	1,970	+1.0	1,990	+1.0	2,010	+1.0	2,010	+0.0	2,010	+0.0	2,010	+0.0	2,010	+0.0	2,045	+1.7
30 hour element	790	+0.0	790	+0.0	790	+0.0	800	+1.3	810	+1.3	810	+0.0	810	+0.0	810	+0.0	810	+0.0	825	+1.9
Disabled worker element	2,650	+3.1	2,790	+5.3	2,855	+2.3	2,935	+2.8	2,970	+1.2	2,970	+0.0	3,000	+1.0	3,090	+3.0	3,165	+2.4	3,220	+1.7
Severely disabled adult element	1,130	+3.2	1,190	+5.3	1,220	+2.5	1,255	+2.9	1,275	+1.6	1,275	+0.0	1,290	+1.2	1,330	+3.1	1,365	+2.6	1,390	+1.8
Childcare element																				
Maximum eligible costs allowed (£ per week)																				
Eligible costs incurred for 1 child	175	+0.0	175	+0.0	175	+0.0	175	+0.0	175	+0.0	175	+0.0	175	+0.0	175	+0.0	175	+0.0	175	+0.0
Eligible costs incurred for 2+ children	300	+0.0	300	+0.0	300	+0.0	300	+0.0	300	+0.0	300	+0.0	300	+0.0	300	+0.0	300	+0.0	300	+0.0
Percentage of eligible costs covered	70%		70%		70%		70%		70%		70%		70%		70%		70%		70%	
Income thresholds and withdrawal rates																				
First income threshold	6,420	+0.0	6,420	+0.0	6,420	+0.0	6,420	+0.0	6,420	+0.0	6,420	+0.0	6,420	+0.0	6,420	+0.0	6,420	+0.0	6,530	+1.7
First withdrawal rate	41%		41%		41%		41%		41%		41%		41%		41%		41%		41%	
Second income threshold	40,000		..		..		..		..		..		..		..		..
Second withdrawal rate	41%		..		..		..		..		..		..		..		..
Income threshold for those entitled to Child Tax Credit only	15,860	-2.0	15,860	+0.0	15,910	+0.3	16,010	+0.6	16,105	+0.6	16,105	+0.0	16,105	+0.0	16,105	+0.0	16,105	+0.0	16,385	+1.7
Income increase disregard	10,000		10,000		5,000		5,000		5,000		2,500		2,500		2,500		2,500		2,500	
Income fall disregard	..		2,500		2,500		2,500		2,500		2,500		2,500		2,500		2,500		2,500	
Uprating benchmarks (for comparison)																				
Consumer Prices Index (CPI)		+3.1		+5.2		+2.2		+2.7		+1.2		-0.1		+1.0		+3.0		+2.4		+1.7
Earnings		+2.0		+2.8		+1.6		+1.2		+0.6		+2.9		+2.4		+2.2		+2.6		+3.9
Retail Prices Index (RPI)		+4.6		+5.6		+2.6		+3.2		+2.3		+0.8		+2.0		+3.9		+3.3		+2.4

Notes '% increase' can differ from the relevant uprating benchmark due to rounding and uprating conventions. **(a)** CTC Family element is only available if the eldest child was born before 6 April 2017. **(b)** Enhanced WTC basic element for 2020/21 (+£1,045 above indexation) announced in response to the coronavirus outbreak. **Source** HMRC

4. Universal Credit

In 2013, Universal Credit began to replace a range of means-tested benefits and tax credits for working age families (the '**legacy benefits**' – comprising **income-based JSA; income-related ESA; Income Support; Child and Working Tax Credits and Housing Benefit**). Universal Credit is means-tested and payable to both in-work and out-of-work recipients. The main regulations for Universal Credit came into force on 29 April 2013.²³

The phased introduction of Universal Credit 'live service' began in April 2013. Rollout of the digital 'full service' to all jobcentres in Great Britain began in 2016 and was completed by the end of 2018. New claims for legacy benefits cannot be made, with limited exceptions. The managed migration of existing legacy claims is being piloted at Harrogate jobcentre, with a view to completing the transfer of all remaining legacy claimants to UC by September 2024.

The various component parts of a Universal Credit award, and their equivalents in the legacy system, are set out below:

Universal Credit amount	Corresponding feature of the legacy system	Note:
Standard allowance	Personal allowances in JSA / ESA / Income Support	
Child amounts	Child Tax Credit child elements (and family element for claims starting before 6 Apr 2017)	
Disabled child additions	CTC disabled and severely disabled child elements	
Limited Capability for Work amount	ESA work-related activity component	Not available to new claimants from April 2017.
Limited Capability for Work and Work-Related Activity amount	ESA support component and premiums	
Carer amount	Carer premium in JSA / ESA / Income Support	
Housing cost amount	Housing Benefit	
Childcare cost amount	Working Tax Credit childcare element	The percentage of eligible childcare costs covered is 70% in WTC and 85% in UC.

4.1 Work Allowances

UC **work allowances** are the earnings levels that a household can have before its UC award starts to be reduced ('tapered'). When net earnings exceed the work allowance, the UC award is subject to a 63% taper

²³ [Universal Credit Regulations](#) (SI 2013/376). See also [Welfare Reform Act 2012 regulations](#) on Gov.uk

rate, i.e. 63p is removed from the UC award for every £1 of net earnings above the work allowance. The taper rate was lowered from 65% to 63% at Autumn Statement 2016.²⁴

There are two work allowances: a higher work allowance for families that do not claim support for rental costs, and a lower work allowance for those that do. The rationale for having a less generous work allowance for the latter group was to “target resources fairly”, taking account of the higher awards that housing-cost claimants receive.²⁵

The default budgetary assumption is that work allowances increase in line with CPI inflation.²⁶

Changes to work allowances

The structure and value of work allowances have undergone several changes since UC was first introduced. Originally there were seven different work allowances, depending on family composition and whether the claimant had work-limiting incapacity, as well as on whether the claimant received housing cost element. From 2016/17 onwards these were streamlined into two work allowances, with fit-for-work childless adults no longer qualifying for a work allowance.

Changes to Universal Credit work allowances at successive fiscal events

- [Autumn Statement 2012](#): work allowances to be uprated by 1% (instead of CPI indexation) in 2014/15 and 2015/16;
- [Autumn Statement 2013](#): work allowances to be frozen at their 2013/14 level for 3 years (2013/14 to 2015/16 inclusive) – overriding the 1% increases announced at AS 2012;
- [Autumn Statement 2014](#): work allowances were frozen for a further year (2017/18) to help finance an increase in the generosity of UC childcare element (see below).
- [Summer Budget 2015](#): with effect from 2016/17, work allowances were cut in cash terms and also simplified, reducing the seven different work allowances to just two (and abolishing work allowances for fit-for-work childless adults). The new structure was brought into effect by the [Universal Credit \(Work Allowance\) Amendment Regulations 2015](#).
- For 2018/19: Work allowances were CPI-uprated for the first time (following the expiry of the freeze announced at Autumn Statement 2014).
- [Budget 2018](#): for 2019/20, a £1,000 cash increase was announced in the annual value of the work allowances, on top of normal CPI indexation.
- For 2020/21: Work allowances are once again CPI-uprated.

4.2 Childcare cost amount

The Universal Credit childcare cost amount for 2015/16 was set at a maximum of £532.29 per month for one child or £912.50 per month for two or more children in childcare. This was equivalent to the value of the Working Tax Credit child element, which covers 70% of eligible childcare costs up to a limit of £175 per week for one child or £300 per week for two or more children.

²⁴ HM Treasury, [Autumn Statement 2016](#) (23 November 2016)

²⁵ [DWP Universal Credit Policy Briefing Note 14: Earnings disregards and tapers](#): on National Archives website

²⁶ [HM Treasury Autumn Statement 2012 policy costings p.49](#)

In Budget 2014 it was announced that the value of the Universal Credit childcare element would increase to the equivalent of 85% of eligible costs.²⁷ This was confirmed in the Autumn Statement 2014, which also announced that this increase in childcare support would be provided from April 2016 and would be part-financed by freezing UC work allowances for a further year (to April 2018).²⁸

The maximum UC childcare elements are calculated as follows:

- 1 child: 85% of £175 per week = £149.16 per week = **£646.35 per month**
- 2+ children: 85% of £300 per week = £255.70 per week = **£1,108.04 per month**

Table 5 below shows Universal Credit rates and thresholds from 2015/16 to 2020/21.

²⁷ [HM Treasury Budget 2014](#), para 1.182

²⁸ [HM Treasury Autumn Statement 2014](#), para 1.229

Table 5: UNIVERSAL CREDIT - AMOUNTS AND WORK ALLOWANCES												£ per month	
	2015/16		2016/17		2017/18		2018/19		2019/20		2020/21		
	£ per month	% incr.	£ per month	% incr.	£ per month	% incr.	£ per month	% incr.	£ per month	% incr.	£ per month	% incr.	
Standard Allowance													
Single under 25	251.77	+1.0	251.77	+0.0	251.77	+0.0	251.77	+0.0	251.77	+0.0	342.72 (a)	+36.1	
Single 25 or over	317.82	+1.0	317.82	+0.0	317.82	+0.0	317.82	+0.0	317.82	+0.0	409.89 (a)	+29.0	
Joint claimants both under 25	395.20	+1.0	395.20	+0.0	395.20	+0.0	395.20	+0.0	395.20	+0.0	488.59 (a)	+23.6	
Joint claimants, one or both 25 or over	498.89	+1.0	498.89	+0.0	498.89	+0.0	498.89	+0.0	498.89	+0.0	594.04 (a)	+19.1	
Limited Capability for Work amount	126.11	+1.0	126.11	+0.0	126.11	+0.0	126.11	+0.0	126.11	+0.0	128.25	+1.7	
Limited Capability for Work & work-related activity	315.60	+1.2	315.60	+0.0	318.76	+1.0	328.32	+3.0	336.20	+2.4	341.92	+1.7	
Child amount													
Standard amount per child	231.67	+1.1	231.67	+0.0	231.67	+0.0	231.67	+0.0	231.67	+0.0	235.83	+1.8	
First child born prior to 6 April 2017 ^(a)	277.08	+0.9	277.08	+0.0	277.08	+0.0	277.08	+0.0	277.08	+0.0	281.25	+1.5	
Disabled child addition: lower rate	126.11	+1.0	126.11	+0.0	126.11	+0.0	126.11	+0.0	126.11	+0.0	128.25	+1.7	
Disabled child addition: higher rate	367.92	+1.4	367.92	+0.0	372.30	+1.2	383.86	+3.1	392.08	+2.1	400.29	+2.1	
Carer amount	150.39	+1.2	150.39	+0.0	151.89	+1.0	156.45	+3.0	160.20	+2.4	162.92	+1.7	
Childcare costs amount ^(b)													
Maximum for 1 child	532.29		646.35		646.35		646.35		646.35		646.35		
Maximum for 2+ children	912.50		1,108.04		1,108.04		1,108.04		1,108.04		1,108.04		
Higher work allowance (for claimants not claiming housing element)													
Single/joint claimant, no dependent children	111.00	+0.0	..		..		..		..		..
Single claimant, one or more children	734.00	+0.0	397.00	-45.9	397.00	+0.0	409.00	+3.0	503.00	+23.0	512.00	+1.8	
Joint claimant, one or more children	536.00	+0.0	397.00	-25.9	397.00	+0.0	409.00	+3.0	503.00	+23.0	512.00	+1.8	
Single/joint claimant, limited capability for work	647.00	+0.0	397.00	-38.6	397.00	+0.0	409.00	+3.0	503.00	+23.0	512.00	+1.8	
Lower work allowance (for claimants claiming housing element)													
Single/joint claimant, no dependent children	111.00	+0.0	..		..		..		..		..
Single claimant, one or more children	263.00	+0.0	192.00	-27.0	192.00	+0.0	198.00	+3.1	287.00	+44.9	292.00	+1.7	
Joint claimant, one or more children	222.00	+0.0	192.00	-13.5	192.00	+0.0	198.00	+3.1	287.00	+44.9	292.00	+1.7	
Single/joint claimant, limited capability for work	192.00	+0.0	192.00	+0.0	192.00	+0.0	198.00	+3.1	287.00	+44.9	292.00	+1.7	
Taper rate	65%		65%		63%		63%		63%		63%		
Uprating benchmarks (for comparison)													
Consumer Prices index (CPI)		+1.2		-0.1		+1.0		+3.0		+2.4		+1.7	
Earnings		+1.8		+1.8		+2.4		+2.2		+2.6		+3.9	
Retail Prices Index (RPI)		+2.3		+0.8		+2.0		+3.9		+3.3		+2.4	

Notes % increase' can differ slightly from the relevant uprating benchmark due to rounding and uprating conventions. (a) The difference between the standard child amount and the amount for first child born before 6 April 2017 is equivalent to the non-uprated £545 p.a. Child Tax Credit family element, also only available to families whose first child was born before this date. (b) Childcare cost amounts are not subject to periodic uprating. The childcare cost amount covers 85% of eligible childcare costs. **(a)** Enhanced UC standard allowances (+£86.67 per month above indexation) announced in response to the coronavirus outbreak.

Source DWP proposed benefit and pension rates, various editions

5. Earlier notes in the 'Benefits Uprating' series

This note is the latest in an annual series since 1999. Earlier editions are as follows, listed alongside the corresponding Government announcements.

Uprating for financial year:	Library's Benefit Uprating note:	DWP oral statement to the House of Commons	DWP written ministerial statement / deposited paper	Benefit rates on Gov.uk	Tax Credits & Child Benefit
1999/00	SN00195	28 Oct 1998 cc339-55			
2000/01	SN00300	9 Nov 1999 cc907-20			
2001/02	SN00577	9 Nov 2000 cc451-71			
2002/03	SN01715	28 Nov 2001 cc972-89			
2003/04	SN01969	18 Nov 2002 cc365-80	19 Nov 2002 cc16-36WS		
2004/05	SN02781	10 Dec 2003 cc1087-99	11 Dec 2003 cc106-18WS		
2005/06	SN03275	6 Dec 2004 cc905-16	7 Dec 2004 cc86-96WS		
2006/07	SN03819	6 Dec 2005 cc741-53	7 Dec 2005 cc102-12WS		
2007/08	SN04177	7 Dec 2006 cc451-62	11 Dec 2006 cc42-74WS		
2008/09	SN04537	5 Dec 2007 cc841-51	6 Dec 2007 cc101-18WS		
2009/10	SN04901	11 Dec 2008 cc693-702	15 Dec 2008 cc87-100WS		
2010/11	SN05198	10 Dec 2009 cc518-26	14 Dec 2009 cc66-92WS		
2011/12	SN05805	8 Dec 2010 cc309-18	9 Dec 2010 cc47-60WS		2011/12
2012/13	SN06172	6 Dec 2011 cc163-72	12 Dec 2011 cc72-86WS		2012/13
2013/14	SN06512	6 Dec 2012 cc1029-39	DEP2012-1830, 6 Dec 2012		2013/14
2014/15	SN06774	n/a	9 Dec 2013 cc4-5WS	2014/15	2014/15
2015/16	SN07054	4 Dec 2014 cc442-8	DEP2014-1568, 4 Dec 2014	2015/16	2015/16
2016/17	CBP 7410	n/a	HCWS328, 26 Nov 2015	2016/17	2016/17
2017/18	CBP 7818	n/a	HCWS287, 28 Nov 2016	2017/18	2017/18
2018/19	CBP 8162	n/a	HCWS268, 27 Nov 2017	2018/19	2018/19
2019/20	CBP 8458	n/a	HCWS1104, 23 Nov 2018	2019/20	2019/20
2020/21 (current)	CBP 8806	n/a	Statement: HCWS74, 4 Nov 2019 Deposited paper: DEP2019-1077, 29 Nov 2019	not yet available	2020/21

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