



2004 Benefit Uprating

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This note sets out the basis for the April 2004 uprating of the main social security benefits. It focuses on the Retirement Pension and Pension Credit but also contains a summary of the main benefit and tax credit rates before and after the uprating.

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A. Introduction

The uprating of social security benefits from April 2004 is based on inflation in the year to September 2003. This means that many state benefits such as Incapacity Benefit, Child Benefit, and Disability Living Allowance are to be uprated by 2.8% (the increase in the RPI in the 12 months to September 2003) and means tested benefits by 1.8% (the increase in the “Rossi” index – the RPI less certain housing costs, namely less rents, mortgage interest payments, council tax and depreciation costs).¹

The September RPI is also used in the formula governing the basic state pension which was set out in the November 2001 Pre-Budget Report and re-affirmed in the 2002 Budget Report. This states that the full basic state pension will rise by at least £100 a year for a single pensioner and £160 for a pensioner couple from April 2003. In later years, the basic state pension will rise each year by 2.5 per cent or the increase in the September Retail Price Index, whichever is higher.

¹ In practice, because of rounding, the rates of some individual benefits will not change by exactly these factors.

The Government is committed to increasing the rates for the guarantee part of Pension Credit in line with average earnings. The relevant factor is 3.3%. The savings elements of the credit rise in line with the Retirement Pension.

B. Retirement Pensions

An inflation-based increase to the basic state retirement pension of 2.8% is greater than the 2.5% minimum. It will result in the single rate rising by £2.15 pw and the married rate by £3.45 pw.

The single weekly pension rate will increase from £77.45 to £79.60 and the couple rate from £123.80 to 127.25.

If the uprated pension had been linked to earnings this year the single rate in April 2004 would be £80.00 pw and the couple £127.90 pw. (based on a 3.3% increase in the “headline” rate of average earnings to July 2003²)

C. Minimum Income Guarantee/Pension Credit

The Government was committed to increasing the minimum income guarantee for pensioners by the increase in average earnings.³ From October 2003 this has been delivered through the guarantee part of the Pension Credit, which the Government has confirmed will increase in line with earnings. This year the relevant factor is 3.3%.

The basic level of the MIG increased with age, as Income Support had previously, in April 1999 and April 2000, as IS for pensioners had done in previous years. However, from April 2001 the MIG level was simplified into one rate for all those over 60. The level of the guarantee from April 1999, to April 2003 and the previous rates of IS for pensioners are shown in the following table:

a. *Income Support/Minimum Income/Pension Credit Guarantee – 1997 to 2004*

<i>£pw</i>	Apr-97	Apr-98	Apr-99	Apr-00	Apr-01	Apr-02	Apr-03	Apr-04
Single 60-74	68.80	70.45	75.00	78.45)				
Single 75-79	71.00	72.70	77.30	80.85)	92.15	98.15	102.10	105.45
Single 80 or over	75.70	77.55	82.25	86.05)				
Couple one or both 60- 74	106.80	109.35	116.60	121.95)				
Couple one or both 75-79	109.90	112.55	119.85	125.35)	140.55	149.80	155.80	160.95
Couple one or both 80 or over	115.15	117.90	125.30	131.05)				

² ONS *Monthly Digest of Statistics* Oct 2002 Table 18.12

³ see HC Deb 6 6 2000 c223W for basis of earnings uprating factor - 3 month avg change in average earnings to previous July "headline" rate, as published in monthly digest

From October 2003 the MIG has been paid as the “guarantee” part of the Pension Credit.

D. Social Security Benefit rates 2004-05

The following table sets out selected benefit rates before and after the April 2004 uprating:

	Apr-03	Apr-04		Apr-03	Apr-04
	£pw	£pw		£pw	£pw
Attendance Allowance			both 18+	85.75	87.30
Higher rate	57.20	58.80	Dependent child <16	38.50	42.27
Lower rate	38.30	39.35	Premiums		
			Family	15.75	15.95
			Single pensioner	47.45	
			Couple pensioner	70.05	73.65
Child Benefit⁴			Carer's Allowance	43.15	44.35
Only/elder/eldest child	16.05	16.50			
Subsequent child(ren)	10.75	11.05			
			Jobseekers Allowance		
Disability Living Allowance			Contribution based		
Care component			Under 18	32.90	33.50
Highest	57.20	58.80	18-24	43.25	44.05
Middle	38.30	39.35	25+	54.65	55.65
Lowest	15.15	15.55			
Mobility component			Pension Credit		
Higher	39.95	41.05	Standard minimum guarantee		
Lower	15.15	15.55	Single	102.10	105.45
			Couple	155.80	160.95
Incapacity Benefit			Retirement Pension		
Long term	72.15	74.15	Single	77.45	79.60
Short term			Couple	123.80	127.25
Lower	54.40	55.90			
Higher	64.35	66.15			
Income Support					
Personal allowances					
Single 18-24	43.25	44.05			
Single 25+	54.65	55.65			
Couple					

⁴ This is not a DWP benefit but is included in this table for convenience

E. Tax Credits

Under the *Tax Credits Act 2002* the Treasury is required to review the levels 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 UK as estimated by the Treasury in such a manner as it considers appropriate'⁵ The expectation was that the basic working tax credit will be reviewed in line with prices and the child tax credit in line with earnings.⁶ The childcare element is not to be linked so directly as these costs do not necessarily follow the same trends. Their uprated levels announced by the Treasury at the 2003 Pre-Budget Report are as follows:

a. Working and Child Tax Credits rates 2004-05

£ per year (unless stated)	2003-04	Change	2004-05
Working Tax Credit			
Basic element	1,525	+45	1,570
Couple and lone parent element	1,500	+45	1,545
30 hour element	620	+20	640
Disabled worker element	2,040	+60	2,100
Severe disability element	865	+25	890
Childcare element of the Working Tax Credit			
Maximum eligible cost for one child	135 per week	+0	135 per week
Maximum eligible cost for two or more children	200 per week	+0	200 per week
Per cent of eligible costs covered	70	+0	70
50+ Return to work payment (16-29 hours)	1,045	+30	1,075
50+ Return to work payment (30+ hours)	1,565	+45	1,610
Child Tax Credit			
Family element	545	+0	545
Family element, baby addition	545	+0	545
Child element	1445	+180	1,625
Disabled child element	2155	+60	2,215
Severely disabled child element	865	+25	890
Income thresholds and withdrawal rates			
First income threshold	5,060	+0	5,060
First withdrawal rate (per cent)	37	+0	37
Second income threshold	50,000	+0	50,000
Second withdrawal rate (per cent)	6.67	+0	6.67
First threshold for those entitled to Child Tax Credit only	13,230	+250	13,480
Income disregard	2,500	+0	2,500

While the child element of the Child Tax Credit was increased by 12.5%, where they were changed the other elements rose in line with the 2.8% uprating factor (rounding means the

⁵ Section 41(1)

⁶ Committee Stage of the Tax Credits Bill in the Lords 23 May 2002 c CWH 143

new rates are not always exact). However, the maxima for the childcare elements of the WTC and family elements of the CTC remained unchanged; as do most of the income thresholds.

F. Links

DWP Press Notice commenting on the uprating

<http://www.dwp.gov.uk/mediacentre/pressreleases/2003/december/dwp101203.asp>

DWP table for all benefits before and after the uprating:

<http://www.dwp.gov.uk/mediacentre/pressreleases/2003/december/upratingtable2003.pdf>

Uprating statement by Andrew Smith (HC Deb 10 Dec 2003 c1087-)

http://www.publications.parliament.uk/pa/cm200304/cmhansrd/cm031210/debtext/31210-10.htm#31210-10_head0

HM Treasury Pre-Budget Report Press Notice 2 *Income Tax Allowances, NI contributions, and Child and Working Tax credit rates 2004-05* (includes tax credit and child benefit rates)

http://www.hm-treasury.gov.uk/pre_budget_report/prebud_pbr03/press_notices/prebud_pbr03_press2.cfm