



2008 Benefit Upating

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This note sets out the basis for the April 2008 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. It takes account of the November 2007 Pre-budget Report and the benefit uprating statement made on 5 December 2007.

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A. Introduction

The uprating of social security benefits from April 2008 is based on inflation in the year to September 2007. On the usual basis, this means that many state benefits such as Incapacity Benefit, Child Benefit, and Disability Living Allowance will be uprated by 3.9% (the increase in the RPI in the 12 months to September 2007) and means tested benefits by 2.3% (the increase in the “Rossi” index – the RPI less certain housing costs, namely less rents, mortgage interest payments, council tax and depreciation.).

The September RPI is also used in the formula governing the basic state pension, which was set out in the 2004 Budget Report. This specified that the basic state pension will continue to rise each April by 2.5 per cent or the increase in the retail prices index for the previous September, whichever is higher.

The Government is committed to increasing the rates for the guarantee part of Pension Credit in line with average earnings. The relevant factor is 3.5%. The savings elements of the credit have previously risen in line with the Retirement Pension (ie. in line with prices) but the Pensions White Paper announced the Government’s intention to limit the expansion of savings credit eligibility that would eventually result from this. From 2008, the White Paper said that the savings credit threshold would rise in line with earnings; in advance of maximum amount of savings credit being frozen in 2015.

B. Retirement Pensions

An inflation-based increase to the basic state retirement pension of 3.9% is greater than the 2.5% minimum. It will result in the single rate rising by £3.40pw and the married rate by £5.45pw.¹

The single weekly pension rate will increase from £87.30 to £90.70 and the couple rate from £139.60 to £145.05.

Basic State Pension: £ pw

	Man or women	Man plus wife
1997	62.45	99.80
1998	64.70	103.40
1999	66.75	106.70
2000	67.50	107.90
2001	72.50	115.90
2002	75.50	120.70
2003	77.45	123.80
2004	79.60	127.25
2005	82.05	131.20
2006	84.25	134.75
2007	87.30	139.60
2008	90.70	145.05

Note: Age under 80 rates

¹ The 3.9% increase is greater than the 3.5% increase in the headline rate of average earnings in July 2007 (which on the basis of previous practice would have been the relevant earnings factor)

C. Minimum Income Guarantee/Pension Credit

The Government is committed to increasing the minimum income guarantee for pensioners by the increase in average earnings. From October 2003 this has been delivered through the guarantee part of the Pension Credit; the Pensions Act 2007 commits the Government to increase this in line with earnings. This year the relevant factor would 3.5% (the increase in the headline rate of average earnings to July 2007, however in the 2007 Budget the Government committed to increasing Pension Credit by £5 pw (single) from April 2008 :²

...we will raise the pension credit guarantee from £114 a week this year, to £119, then £124, increasing to £130 a week in 2009-10 - £6,750 a year - the pension credit raised by earnings as we move towards our commitment of linking the state pension to earnings.

This is an increase of 4.2% from April 2008, reflecting the forecast rate of earnings growth made at the time of the 2007 Budget.

The 2007 Pre-Budget Report was accompanied by an announcement confirming the intention to increase the standard minimum credit to the previously announced rates. **From April 2008 the weekly rate for Pension Credit minimum credit will be £124.05 (single) and £189.35 (couple).**

The basic level of the MIG was related to age in April 1999 and April 2000, as Income Support for pensioners had done previously. However, from April 2001 the MIG was simplified into one rate for all those over 60. The level of the guarantee from April 1999, to April 2007 and the previous rates of IS for pensioners are shown in the following table:

Income Support/Minimum Income/Pension Credit Guarantee – 1997 to 2007

<i>£pw</i>	Apr-97	Apr-98	Apr-99	Apr-00	Apr-01	Apr-02	Apr-03	Apr-04	Apr-05	Apr-06	Apr-07
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	109.45	114.05	119.05
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	167.05	174.05	181.70
Couple one or both 80 or over	115.15	117.90	125.30	131.05)							

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

D. Jobseekers Allowance

From 2008 the single person rate for income support and jobseeker’s allowance will be the same for all 16 to 24 year olds. Previously, the small number of 16 and 17 year olds who had claimed benefit were paid at a lower rate. The reason for aligning these rates was to get rid of the incentive that could exist for young people to leave home to receive more benefits.

² Budget Speech 21 March 2007

E. Social Security Benefit rates 2008-09

The following table sets out selected benefit rates before and after the April 2008 uprating.

£ per week	Apr-07	Apr-08	£ per week	Apr-07	Apr-08
Attendance Allowance			Couple		
Higher rate	64.50	67.00	both 18+	92.80	94.95
Lower rate	43.15	44.85	Dependent child <16	47.45	52.59
			Premiums		
			Family		
				16.43	16.75
			Carer's Allowance		
				48.65	50.55
Child Benefit³			Jobseekers Allowance		
Only/elder/eldest child	18.10	18.80	Contribution based		
Subsequent child(ren)	12.10	12.55	Under 18		
				35.65	47.95
			18-24		
				48.65	47.95
			25+		
				59.15	60.50
Disability Living Allowance			Pension Credit		
Care component			Standard minimum guarantee		
Highest	64.50	67.00	Single		
Middle	43.15	44.85		119.05	124.05
Lowest	17.10	17.75	Couple		
Mobility component				181.70	189.35
Higher	45.00	46.75	State Pension		
Lower	17.10	17.75	Single		
				87.30	90.70
			Couple		
				139.60	145.05
Incapacity Benefit					
Long term	81.35	84.50			
Short term					
Lower	61.35	63.75			
Higher	72.55	75.40			
Income Support					
Personal allowances					
Single 18-24	46.85	47.95			
Single 25+	59.15	60.50			

³ This is not a DWP benefit but is included in this table for convenience

F. 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'⁴ 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.⁵ The childcare element is not to be linked so directly as these costs do not necessarily follow the same trends. Their updated levels announced by the Treasury at the 2007 Pre-Budget Report are as follows:

a. Working and Child Tax Credits rates 2008/09

£ per year (unless stated)	2007-08	Change	2008-09
Working Tax Credit			
Basic element	£1,730	£70	£1,800
Couple and lone parent element	£1,700	£70	£1,770
30 hour element	£705	£30	£735
Disabled worker element	£2,310	£95	£2,405
Severe disability element	£980	£40	£1,020
50+ Return to work payment (16-29 hours)	£1,185	£50	£1,235
50+ Return to work payment (30+ hours)	£1,770	£70	£1,840
Childcare Element of the Working Tax Credit			
Maximum eligible cost for one child	£175 per week	-	£175 per week
Maximum eligible cost for two or more children	£300 per week	-	£300 per week
Percentage of eligible costs covered	80%	-	80%
Child Tax Credit			
Family element	£545	-	£545
Family element, baby addition	£545	-	£545
Child element	£1,845	£240	£2,085
Disabled child element	£2,440	£100	£2,540
Severely disabled child element	£980	£40	£1,020
Income thresholds and withdrawal rates			
First income threshold	£5,220	£1,200	£5,220
First withdrawal rate (per cent)	37%	2%	39%
Second income threshold	£50,000	-	£50,000
Second withdrawal rate (per cent)	6.67%	-	6.67%
First threshold for those entitled to Child Tax Credit only	£14,495	£1,080	£15,575
Income disregard	£25,000	-	£25,000

While most of the elements rise by inflation (3.9%), the child element of Child Tax Credit (CTC) increase is 13%. The family element remains (again) frozen at £545 per year. The income threshold for CTC family element only also remains at the same level, £50,000 per year.

⁴ Section 41(1)

⁵ Committee Stage of the Tax Credits Bill in the Lords 23 May 2002 c CWH 143

The maximum eligible childcare costs (again) remain at £175 for one child and £300 for two or more children. The percentage of eligible childcare costs at 80 per cent.

The disregard in Tax Credits for increases in income between one tax year and the next remains at £25,000.

G. Links

DWP table for all benefits before and after the 2008 uprating:

<http://www.dwp.gov.uk/mediacentre/pressreleases/2007/dec/benefit-rates-2008.pdf>

Mike O'Brien, Minister for Pensions Reform Benefit Uprating statement (5 December 2007)⁶

<http://www.publications.parliament.uk/pa/cm200708/cmhansrd/cm071205/debtext/71205-0006.htm#07120549000006>

HM Treasury Press Notice *Income Tax Allowances, NI contributions, and Child and Working Tax credit rates 2008-09* (includes tax credit, child benefit and (some) pension rates)

http://www.hm-treasury.gov.uk/newsroom_and_speeches/press/2007/press_109_07.cfm

Earlier notes:

This note is the latest in a series covering upratings since 1999; Links to the earlier ones are as follows:

Uprating taking place in April:	Library Standard Note Parliament Intranet Link:
1999	http://hcl1.hclibrary.parliament.uk/notes/sgss/snsg-00195.pdf
2000	http://hcl1.hclibrary.parliament.uk/notes/sgss/snsg-00300.pdf
2001	http://hcl1.hclibrary.parliament.uk/notes/sgss/snsg-00577.pdf
2002	http://hcl1.hclibrary.parliament.uk/notes/sgss/snsg-01715.pdf
2003	http://hcl1.hclibrary.parliament.uk/notes/sgss/snsg-01969.pdf
2004	http://hcl1.hclibrary.parliament.uk/notes/sgss/snsg-02781.pdf
2005	http://pims.parliament.uk:81/PIMS/Static%20Files/Extended%20File%20Scan%20Files/LIBRARY_OTHER_PAPERS/STANDARD_NOTE/snsg-03275.pdf
2006	http://pims.parliament.uk:81/PIMS/Static%20Files/Extended%20File%20Scan%20Files/LIBRARY_OTHER_PAPERS/STANDARD_NOTE/snsg-03819.pdf
2007	http://pims.parliament.uk:81/PIMS/Static%20Files/Extended%20File%20Scan%20Files/LIBRARY_OTHER_PAPERS/STANDARD_NOTE/snsg-04177.pdf

⁶ HC Deb 5 Dec 2007 Column 841