



2009 Benefit Upating

Standard Note: 4901
Last updated: 11 December 2008
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Section: Social & General Statistics Section

This note sets out the basis for the April 2009 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. The uprating is largely based around inflation figures for September 2008. The main benefit and tax rates were announced as part of the November 2008 Pre-budget Report and those for the remaining benefits in the uprating statement on 11 December 2008.

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1 Benefits

1.1 Introduction

The uprating of social security benefits from April 2009 is based on inflation in the year to September 2008. On the usual basis, this means that many state benefits such as Incapacity Benefit¹, Child Benefit, and Disability Living Allowance would be uprated by **5.0%** (the increase in the RPI in the 12 months to September 2008) and means tested benefits by **6.3%** (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, which is usually more than if they had been linked to prices. This year the relevant **earnings 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.

1.2 Retirement Pension

An inflation-based increase to the basic state retirement pension of 5.0% is greater than the 2.5% minimum. It will result in the single rate rising by £4.55pw and the married rate by £7.25pw². The single weekly pension rate will increase from £90.70 to £95.25 and the couple rate from £145.05 to £152.30.

Table 1 Basic state pension 1997 to 2009

April	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
2009	95.25	152.30

Note: Age under 80 rates

¹ Govt has announced that ESA (which replaces IB for new claimants from October 2008, will be uprated by Rossi

² 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)

In the November Pre-budget Report, the Chancellor announced that an additional £60 payment would be made in the New Year of 2009 to every pensioner. This was announced as equivalent to bringing forward the uprating of the basic state pension from April to January, as £60 is equal to just over 13 weeks of the £4.55 weekly increase in the single pension.

1.3 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 is 3.5% (the increase in the headline rate of average earnings to July 2008, however in the 2007 Budget the Government committed to increasing Pension Credit by £5 pw (single) from April 2008 :³

...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 4.8% from April 2009, reflecting the forecast rate of earnings growth made at the time of the 2007 Budget.

The 2008 Pre-Budget Report was accompanied by an announcement confirming the intention to increase the standard minimum credit to the previously announced rates. **From April 2009 the weekly rate for Pension Credit minimum credit will be £130.00 (single) and £198.45 (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 2009 and the previous rates of IS for pensioners are shown in the following table:

Table 2 Income Support/Minimum Income/Pension Credit Guarantee – 1997 to 2009

	Single £pw			Couple £pw		
	60-74	75-79	80+	60-74	75-79	80+
April						
1997	68.80	71.00	75.70	106.80	109.90	115.15
1998	70.45	72.70	77.55	109.35	112.55	117.90
1999	75.00	11.30	82.25	116.60	119.85	125.30
2000	78.45	80.85	86.05	121.95	125.35	131.05
2001		92.15			140.55	
2002		98.15			149.80	
2003		102.10			155.80	
2004		105.45			160.95	
2005		109.45			167.05	
2006		114.05			174.05	
2007		119.05			181.70	
2008		124.05			189.35	
2009		130.00			198.45	

³ Budget Speech 21 March 2007

1.4 Child Benefit

In the April 2008 Budget The chancellor announced that from April 2009 Child Benefit for the first child would be increased to £20 a week. This was brought forward to January 2009 in the November 2008 Pre-Budget Report, so that Child Benefit rises from £18.80 per week to £20 for the first child and £12.55 per week to £13.20 for subsequent children. This is a 6.4% increase in the rate for first children and 5.2% for subsequent children (based on a 5.0% RPI increase rounded to the nearest 5p).

1.5 Incapacity Benefit / ESA

Since 27 October 2008 there have been no new claims for Incapacity Benefit. Instead, new claimants who cannot work due to ill-health or disability are able to claim Employment and Support Allowance (ESA). The Government had previously announced this would be increased by the ROSSI index, 6.3% this year and the rates for April have been increased by this factor, rather than the RPI by which Incapacity Benefit had previously been updated.

1.6 Social Security Benefit rates 2009-10

The following table sets out selected benefit rates before and after the April 2009 uprating.

£ per week	Apr-08	Apr-09 ⁴
Attendance Allowance		
Higher rate	67.00	70.35
Lower rate	44.85	47.10
Child Benefit⁵		
Only/elder/eldest child	18.80	20.00
Subsequent child(ren)	12.55	13.20
Disability Living Allowance		
Care component		
Highest	67.00	70.35
Middle	44.85	47.10
Lowest	17.75	18.65
Mobility component		
Higher	46.75	49.10
Lower	17.75	18.65
Incapacity Benefit		
Long term	84.50	89.80
Short term		
Lower	63.75	67.75
Higher	75.40	80.15
Income Support		
Personal allowances		
Single 18-24	47.95	50.95
Single 25+	60.50	64.30
£ per week		
Apr-08		
Apr-09		
Couple		
both 18+	94.95	100.95
Dependent child <16	52.59	56.11
Premiums		
Family	16.75	17.30
Carer's Allowance		
	50.55	53.10
Jobseekers Allowance		
Contribution based		
Under 25	47.95	50.95
25+	60.50	64.30
Pension Credit		
Standard minimum guarantee		
Single	124.05	130.00
Couple	189.35	198.45
State Pension		
Single	90.70	95.25
Couple	145.05	152.30

⁴ January 2009 in the case of Child Benefit; also payment of £60 is being made to state pensioners from January 2009, which is equivalent to bringing the April uprating forward

⁵ This is not a DWP benefit but is included in this table for convenience

2 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'⁶ 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.⁷ 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 2008 Pre-Budget Report are as follows:

2.1 Working and Child Tax Credits rates 2009-10

£ per year (unless stated)	Apr-08	Change	Apr-09
Working Tax Credit			
Basic element	£1,800	£90	£1,890
Couple and lone parent element	£1,770	£90	£1,860
30 hour element	£735	£40	£775
Disabled worker element	£2,405	£125	£2,530
Severe disability element	£1,020	£55	£1,075
50+ Return to work payment (16-29 hours)	£1,235	£65	£1,300
50+ Return to work payment (30+ hours)	£1,840	£95	£1,935
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	£2,085	£150	£2,235
Disabled child element	£2,540	£130	£2,670
Severely disabled child element	£1,020	£55	£1,075
Income thresholds and withdrawal rates			
First income threshold	£6,420	-	£6,420
First withdrawal rate	39%	-	39%
Second income threshold	£50,000	-	£50,000
Second withdrawal rate	6.67%	-	6.67%
First threshold for those entitled to Child Tax Credit only	£15,575	£465	£16,040
Income disregard	£25,000	-	£25,000

While most of the elements rise by inflation (5.0%), the child element of Child Tax Credit (CTC) increase is 7%. The family element remains (again) frozen at £545 per year. The income thresholds for CTC also remain at the same level, £6,420 and £50,000 per year.

⁶ Section 41(1)

⁷ 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.

3 Links

DWP table for all benefits before and after the 2009 uprating:
<http://www.dwp.gov.uk/mediacentre/pressreleases/2008/dec/NewBenefitRates.pdf>

Uprating statement House of Commons Debate 11 December 2008
<http://www.publications.parliament.uk/pa/cm200809/cmhansrd/cm081211/debtext/81211-0006.htm#08121143000003>

HM Treasury Press Notice *Value added tax, income tax allowances, national insurance contributions, child and working tax credit rates 2009-10 and other rates*
http://www.hm-treasury.gov.uk/prebud_pbr08_press02.htm

3.1 Earlier notes:

This note is the latest in an annual series since 1999; Earlier editions are as follows:

Uprating taking place in April (clickable link)	Library Standard Note Number:
1999	195
2000	300
2001	577f
2002	1715
2003	1969
2004	2781
2005	3275
2006	3819
2007	4177
2008	4537