



2013 Benefit Uprating

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This note sets out the main benefit and tax credit rates for the 2013-14 financial year.

From April 2013, there will be two main factors used to increase benefits. Benefits received by disabled people and pensioners will increase in line with CPI inflation (+2.2%). Benefits and tax credits for working age people are being increased by 1%. This lower-than-inflation increase (for 2013 and two further years) is in line with the “general economic conditions” and the Government’s aim to “ensure the overall affordability of the welfare system.” (Autumn Statement 2012 para 1.155)

The Government has introduced a ‘triple guarantee’ for uprating the basic state pension, which means that from 2013-14 onwards it will be increased by the highest of the increase in earnings, prices (as measured by the CPI) or 2.5%. For the purposes of the 2013-14 uprating, the 2.5% minimum increase was the highest of these three benchmarks.

The Pension Credit standard minimum guarantee is required to be increased at least in line with earnings; the relevant earnings benchmark rose by 1.6%. However, the Government has decided to raise the standard minimum guarantee by 1.9% instead, so that recipients of Pension Credit get the same cash increase as those on the Basic State Pension, paying for this by reducing payments on the Pension Credit Savings Credit.

The main elements of Working Tax Credit have been frozen in 2013-14, while Child Benefit continues to be frozen at its 2010-11 rates until April 2014.

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1 Benefits

1.1 Introduction

The uprating of most social security benefits from April 2013 is based on inflation in the year to September 2012. The inflation measure used is the annual increase in the Consumer Prices Index (CPI).

The Government switched to using CPI for the purposes of uprating in 2011-12. Previously, the inflation indicators used were:

- the Retail Prices Index (RPI) for pensions and other non-means-tested benefits;
- the 'Rossi' index¹ for means-tested benefits.

The guarantee part of Pension Credit was (and continues to be) increased at least in line with average earnings. This usually means that it goes up by more than if it were linked to price inflation. However, this year (and last year) earnings rose more slowly than prices and the Government decided to increase the Guarantee part of Pension Credit in line with the cash increase in the single basic state pension.

This year the relevant factors for uprating are:

- Change in **CPI** 12 months to September 2012 **2.2%**
- Change in average weekly **earnings** to July 2012² **1.6%**

Changes in other indicators over the relevant period are:

- Change in **RPI** 12 months to September 2012 **2.6%**
- Change in **Rossi** 12 months to September 2012 **2.8%**

¹ Rossi index is RPI minus certain housing costs (rents, mortgage interest payments, council tax, depreciation).

² There is no statutory definition of exactly how earnings growth is to be measured. Uprating provisions allow the Secretary of State to determine by how much prices and earnings have risen over the last year in "in such manner as he sees fit". The basis of earnings uprating for the Minimum Income Guarantee was set out in 2000 as follows:

Mr. Flynn: To ask the Secretary of State for Social Security what methods he uses to measure the annual increase in earnings for the purpose of uprating the minimum income guarantee. [124393]

Mr. Bayley: In line with the Government's commitment to provide security in retirement for the poorest pensioners, the minimum income guarantee has been increased by 4.6 per cent., in line with the increase in average earnings. This measure of earnings growth reflects the 12-month headline rate and is based on a three-month average up to July 1999, published in The Stationery Office's "Monthly Digest of Statistics".

[HC Deb 6 June 2000 c223W](#)

This figure was derived from the old Average Earnings Index ([ONS data series LNNC](#)) 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).

1.2 State Pension

For 2013-14 the basic state retirement pension has been increased by 2.5% in line with the minimum increase provisions of the government's "triple guarantee". This results in the single rate rising by £2.70 per week (from £107.45 to £110.15) and the married rate by £4.30 per week (from £171.85 to £176.15).

Table 1: Basic state pension 1997-2013

April	Basic State Pension: £pw	
	Single person	Couple (marriage or civil partnership)
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
2010	97.65	156.15
2011	102.15	163.35
2012	107.45	171.85
2013	110.15	176.15

Note: Rates for those aged under 80.

Additions to the basic pension, such as Additional Pension (SERPS/S2P) and increments are increased by 2.2%, in line with the September 2012 CPI.

1.3 Pension Credit

Standard minimum guarantee

Under provisions in the Pensions Act 2007, the Government is required to increase the standard minimum guarantee by the increase in earnings. This year the relevant factor is 1.6%. However, the Government has chosen to uprate the standard minimum guarantee by 1.9% instead. So, for the third year in a row, the increase for the standard minimum guarantee in Pension Credit equates to the cash rise in the full basic State Pension for a single person. This means that the single person's minimum income level rises by £2.70 (from £142.70 to £145.40 per week) while for couples the increase is £4.15 (from £217.90 to £222.05 per week).

Before April 1999, a minimum level of income for older people was delivered through Income Support for pensioners. This was then replaced in April 1999 by the 'Minimum Income Guarantee' (MIG), which in turn was replaced by Pension Credit in 2003.

Table 2 shows the level of the income guarantee since 1997. The guarantee was age-related until April 2000, however from April 2001 the MIG was simplified into one rate for all those over 60.

Table 2: Income Support / MIG / Pension Credit Guarantee – 1997 to 2013

	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	
2010		132.60			202.40	
2011		137.35			209.70	
2012		142.70			217.90	
2013		145.40			222.05	

Savings Credit

People aged 65 or over who have made some extra provision towards their retirement such as savings or an occupational pension may be entitled to receive Savings Credit if their income is more than the Savings Credit threshold.

The 2006 Pensions White Paper stated that from 2008-09 onwards the Savings Credit threshold would rise in line with earnings.³ However in order to finance the above-inflation increase in the guarantee credit in 2013-14, the Savings Credit threshold and the maximum amount payable have been changed.

The threshold will increase by 3.1% from April 2013. The **single person's threshold** rises from £111.80 to **£115.30 per week**, while the **couple threshold** rises from £178.35 to **£183.90 per week**. In addition to reducing the number of eligible claimants by making the threshold higher, the maximum amount payable through Savings Credit has been reduced – from £18.54 per week to **£18.06** for a single person and from £23.73 to **£22.89** per week for a couple.⁴

³ DWP *Security in Retirement White Paper, Cm 6841*

⁴ 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.

1.4 Child Benefit

This is administered by HM Revenue and Customs. There is no statutory requirement for Child Benefit to be increased but, usual practice was to link it to the change in the RPI. The June 2010 Budget however announced that Child Benefit would be frozen for three years from April 2011. It therefore stays at £20.30 per week for the eldest/only eligible child and £13.40 per week for other children. Child Benefit will then increase by 1% in April 2014 and 2015. From January 2013, Child Benefit will be clawed back from families where the highest earner has an income in excess of £50,000.⁵

1.5 Other benefits

With the exception of benefits paid for reason of disability, other benefits for people of working age are mostly being uprated by 1% from April 2013. This lower-than-inflation increase (from 2013 and two further years) is in line with the “general economic conditions” and the Government’s aim to “ensure the overall affordability of the welfare system.”⁶

Benefits paid to disabled people of working age are generally being increased by 2.2% in April 2013, in line with the annual increase to September 2012 in the CPI.

Table 3 (below) shows the main benefit rates for 2013-14 and the preceding four years, and the percentage increases in each case.

⁵ For further details see Library Standard Note 6299 [Child Benefit for higher income families](#)

⁶ Autumn Statement 2012 para 1.155

Table 3: Social security benefits - overview of main weekly rates

	2009-10		2010-11		2011-12		2012-13		2013-14	
	£ per week	% incr.	£ per week	% incr.	£ per week	% incr.	£ per week	% incr.	£ per week	% incr.
Attendance Allowance										
Higher Rate	70.35	+5.0	71.40	+1.5	73.60	+3.1	77.45	+5.2	79.15	+2.2
Lower Rate	47.10	+5.0	47.80	+1.5	49.30	+3.1	51.85	+5.2	53.00	+2.2
Carer's Allowance										
	53.10	+5.0	53.90	+1.5	55.55	+3.1	58.45	+5.2	59.75	+2.2
Child Benefit										
Eldest child	20.00	+6.4	20.30	+1.5	20.30	+0.0	20.30	+0.0	20.30	+0.0
Each subsequent child	13.20	+5.2	13.40	+1.5	13.40	+0.0	13.40	+0.0	13.40	+0.0
Disability Living Allowance										
Care component - highest	70.35	+5.0	71.40	+1.5	73.60	+3.1	77.45	+5.2	79.15	+2.2
Care component - middle	47.10	+5.0	47.80	+1.5	49.30	+3.1	51.85	+5.2	53.00	+2.2
Care component - lowest	18.65	+5.1	18.95	+1.6	19.55	+3.2	20.55	+5.1	21.00	+2.2
Mobility component - higher	49.10	+5.0	49.85	+1.5	51.40	+3.1	54.05	+5.2	55.25	+2.2
Mobility component - lower	18.65	+5.1	18.95	+1.6	19.55	+3.2	20.55	+5.1	21.00	+2.2
ESA; Income Support; JSA (income-based)										
<i>Personal allowances (selected rates):</i>										
Single under 25/one parent under 18	50.95	+6.3	51.85	+1.8	53.45	+3.1	56.25	+5.2	56.80	+1.0
Single 25+ / lone parent 18+	64.30	+6.3	65.45	+1.8	67.50	+3.1	71.00	+5.2	71.70	+1.0
Couple (both over 18)	100.95	+6.3	102.75	+1.8	105.95	+3.1	111.45	+5.2	112.55	+1.0
Incapacity Benefit - long-term										
	89.80	+6.3	91.40	+1.8	94.25	+3.1	99.15	+5.2	101.35	+2.2
Income Support										
<i>See ESA; Income Support; JSA (income-based) - above</i>										
Jobseeker's Allowance (contribution-based)										
Under 25	50.95	+6.3	51.85	+1.8	53.45	+3.1	56.25	+5.2	56.80	+1.0
25 or over	64.30	+6.3	65.45	+1.8	67.50	+3.1	71.00	+5.2	71.70	+1.0
Jobseeker's Allowance (income-based)										
<i>See ESA; Income Support; JSA (income-based) - above</i>										
Pension Credit										
Standard minimum guarantee - Single	130.00	+4.8	132.60	+2.0	137.35	+3.6	142.70	+3.9	145.40	+1.9
Standard minimum guarantee - Couple	198.45	+4.8	202.40	+2.0	209.70	+3.6	217.90	+3.9	222.05	+1.9
Savings Credit threshold - Single	96.00	+5.3	98.40	+2.5	103.15	+4.8	111.80	+8.4	115.80	+3.6
Savings Credit threshold - Couple	153.40	+5.2	157.25	+2.5	164.55	+4.6	178.35	+8.4	183.90	+3.1
Savings Credit maximum award - Single	20.40	+3.5	20.52	+0.6	20.52	+0.0	18.54	-9.6	18.06	-2.6
Savings Credit maximum award - Couple	27.03	+3.4	27.09	+0.2	27.09	+0.0	23.73	-12.4	22.89	-3.5
State Pension										
Single	95.25	+5.0	97.65	+2.5	102.15	+4.6	107.45	+5.2	110.15	+2.5
Couple	152.30	+5.0	156.15	+2.5	163.35	+4.6	171.85	+5.2	176.15	+2.5
Benchmarks for uprating										
Retail Prices Index (RPI)		+5.0		-1.4		+4.6		+5.6		+2.6
Consumer Prices index (CPI)		+5.2		+1.1		+3.1		+5.2		+2.2
Rossi index		+6.3		+1.8		+4.8		+6.8		+2.8
Earnings (a)		+3.5		+1.8		+2.0		+2.8		+1.6

(a) Earnings growth measured by AEI up to 2011-12 inclusive; AWE thereafter (AWE figure for 2011-12 was +1.3%).

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'⁷. The 1% uprating will apply to the Child Tax Credit and Working Tax Credit

⁷ Section 41

The use of CPI for tax credit uprating from 2011/12 onwards was announced in the June 2010 Budget. Previously, the expectation was that the basic working tax credit would be reviewed in line with prices and the child tax credit in line with earnings.⁸ The childcare element was not linked so directly, as these costs did not necessarily follow the same trends.

The tax credit rates and thresholds for 2012-13 and the preceding four years are shown in table 4.

Table 4: Tax credit rates and thresholds

£ amounts are annual except where specified										
	2009-10		2010-11		2011-12		2012-13		2013-14	
	£	% <i>incr.</i>	£	% <i>incr.</i>	£	% <i>incr.</i>	£	% <i>incr.</i>	£	% <i>incr.</i>
Child Tax Credit										
Family element	545	+0.0	545	+0.0	545	+0.0	545	+0.0	545	+0.0
Family element baby addition	545	+0.0	545	+0.0	..	..	..	..	..	..
Child element	2,235	+7.2	2,300	+2.9	2,555	+11.1	2,690	+5.3	2,720	+1.1
Disabled child element (additional)	2,670	+5.1	2,715	+1.7	2,800	+3.1	2,950	+5.4	3,015	+2.2
Severely disabled child element (additional)	1,075	+5.4	1,095	+1.9	1,130	+3.2	1,190	+5.3	1,220	+2.5
Working Tax Credit										
Basic element	1,890	+5.0	1,920	+1.6	1,920	+0.0	1,920	+0.0	1,920	+0.0
Couples and lone parent element	1,860	+5.1	1,890	+1.6	1,950	+3.2	1,950	+0.0	1,970	+1.0
30 hour element	775	+5.4	790	+1.9	790	+0.0	790	+0.0	790	+0.0
Disabled worker element	2,530	+5.2	2,570	+1.6	2,650	+3.1	2,790	+5.3	2,855	+2.3
Severely disabled adult element	1,075	+5.4	1,095	+1.9	1,130	+3.2	1,190	+5.3	1,220	+2.5
50+ return to work payment (16-29 hrs pw)	1,300	+5.3	1,320	+1.5	1,365	+3.4	..	..	..	..
50+ return to work payment (30+ hrs pw)	1,935	+5.2	1,965	+1.6	2,030	+3.3	..	..	..	..
Childcare element										
Maximum eligible costs allowed (£ per week)										
Eligible costs incurred for 1 child	175		175		175		175		175	
Eligible costs incurred for 2+ children	300		300		300		300		300	
Percentage of eligible costs covered	80%		80%		70%		70%		70%	
Income thresholds and withdrawal rates										
First income threshold	6,420		6,420		6,420		6,420		6,420	
First withdrawal rate	39%		39%		41%		41%		41%	
Second income threshold	50,000		50,000		40,000		..		..
Second withdrawal rate	1 in 15		1 in 15		41%		..		..
First income threshold for those entitled to Child Tax Credit only	16,040		16,190		15,860		15,860		15,910	
Income increase disregard	25,000		25,000		10,000		10,000		5,000	
Income fall disregard	..		..		..		2,500		2,500	
Uprating benchmarks (for comparison)										
Retail Prices Index (RPI)		+5.0		-1.4		+4.6		+5.6		+2.6
Consumer Prices index (CPI)		+5.2		+1.1		+3.1		+5.2		+2.2
Earnings		+3.5		+1.8		+2.0		+2.8		+1.6

.. denotes that the feature in question does not apply.

⁸ Committee Stage of the Tax Credits Bill in the Lords 23 May 2002 c CWH 143

2.1 Universal Credit

Starting from next year, Universal Credit will begin to replace a range of means-tested benefits and tax credits for working age families. Universal Credit is means-tested and will be payable both in and out of work. A key feature is the “single taper” for the withdrawal of UC for those in work. As earnings rise, UC is withdrawn at a constant rate of 65 pence for each pound of net earnings (although an initial amount will be “disregarded” before the taper is applied).

Universal Credit is to be introduced nationally between October 2013 and 2017, although it will start in selected “pathfinder” areas from April 2013 in order to test that processes are robust and reliable before the national roll-out commences.

A draft Statutory Instrument including the rates for Universal Credit has been published by the DWP and is subject to Parliamentary approval.⁹

2.2 Uprating policy

The Government has announced its intention to pass legislation to implement the policy of uprating working age benefits for non-disabled people to 1% for the next three years. A Bill is expected to be published late in 2012.

⁹ Available from: <http://www.dwp.gov.uk/policy/welfare-reform/legislation-and-key-documents/welfare-reform-act-2012/welfare-reform-regulations/>

3. Links

DWP table for all benefits before and after the 2013 uprating ([link](#))

Uprating statement House of Commons Debate 6 December 2012 c1030 ([link](#))

HMRC Rates and Allowances Library, includes *Value added tax, income tax allowances, national insurance contributions, child and working tax credit rates to 2012-13 and other rates*

<http://www.hmrc.gov.uk/rates/index.htm>

HM Treasury Tables confirming tax and tax credit rates and thresholds for 2013-14

[http://cdn.hm-](http://cdn.hm-treasury.gov.uk/as2012_tax_and_tax_credit_rates_and_thresholds_051212.pdf)

[treasury.gov.uk/as2012_tax_and_tax_credit_rates_and_thresholds_051212.pdf](http://cdn.hm-treasury.gov.uk/as2012_tax_and_tax_credit_rates_and_thresholds_051212.pdf)

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	577
2002	1715
2003	1969
2004	2781
2005	3275
2006	3819
2007	4177
2008	4537
2009	4901
2010	5198
2011	5805
2012	6172