Frank Field MP
Work and Pensions Committee
House of Commons
London
SW1A 0AA

19 February 2019

Dear Frank

Thank you for your letter dated 13 December 2018, in which you raised concerns regarding how Industrial Injuries Disablement Benefit (IIDB) is treated under Universal Credit (UC).

The treatment of unearned income in tax credits and UC is different to IIDB. The assessment for Tax Credits predominantly takes into account taxable income, which is why IIDB is disregarded.

Under UC the general principle is that income, other than earnings, which is provided to meet everyday living costs is taken into account in the calculation of UC. Where claimants have income available to meet their everyday living costs, their entitlement to UC is adjusted accordingly. This includes IIDB along with other benefits such as new style Jobseeker’s Allowance and Employment and Support Allowance.

You asked how many people are currently in receipt of both IIDB and tax credits. As data relating to tax credits is held by HMRC, I am unable to provide this particular piece of information, however I can confirm that 194,750 people are currently in receipt of IIDB.

You also asked how many people currently claiming UC are in receipt of IIDB and how many of these previously claimed tax credits. Unfortunately, I am unable to provide you with actual figures as the Department does not currently hold this information in its data. However, in order to be as helpful as possible I can provide you with forecast figures, although I should clarify that these forecasts are at household level rather than claimant level.
The forecast for 2018/19 is that 9,000 households will be claiming UC while also in receipt of IIDB. Of these 2,000 households had previously claimed tax credits. For the 2019/20 tax year the forecast is 15,000 households claiming UC while also receiving IIDB. Of these 2,000 had previously claimed tax credits.

UC simplifies the treatment of unearned income and does not replicate the treatment of income in the legacy benefits and tax credits system which it replaces. I note your concern that claimants who were previously in receipt of tax credits and undergo a change of circumstances and move onto UC could be worse off. You will be aware that this will only occur when a claimant has experienced a significant change of circumstance, such as moving in with a partner or having a child that would have necessitated them making a new claim to a benefit that Universal Credit replaces. In these circumstances it is right that their entitlement to benefit be assessed on their changed circumstances and under the rules of the new benefit they are required to claim.

However, I would like to reiterate the commitment that the Government has made since the introduction of Universal Credit, that no-one already in receipt of tax credits or legacy benefits whose circumstances remain the same will have a lower entitlement to Universal Credit than they had had to their existing benefits as a result of the move to UC. These claimants will be given transitional protection to avoid any potential loss of entitlement at the point of change. On the 14th January 2019 the Government laid the Universal Credit (Managed Migration Pilot and Miscellaneous Amendments) Regulations 2019 which will provide the powers through which we can begin the migration of existing benefit recipients to Universal Credit and the consideration and award of Transitional Protection. These regulations are of subject to debate and approval by Parliament. I hope that in the upcoming debates you will be able to support these regulations and encourage your colleagues to do the same, in order to ensure that this vital protection for claimants is introduced.

I hope that you find this response helpful.

Yours sincerely,

Sarah Newton MP
Minister for Disabled People, Health & Work