

Fact Sheet: Welfare Changes from 2010

The changes to the welfare system announced by the Chancellor, George Osborne in the Emergency Budget in June 2010 and the Comprehensive Spending Review in October 2010 will mean the following changes to the benefits and tax credits systems:

Child Benefit

- From April 2011 Child Benefit to be frozen for 3 years
- From January 2013 Child Benefit to be phased out for higher rate taxpayers

Housing Costs

- From 1 October 2010 the standard interest rate for Support for Mortgage Interest was reduced to 3.63%
- From January 2011 JSA claimants will lose entitlement to the Support for Mortgage Interest scheme if a claimant has been on the benefit for two years

Housing Benefit

- From April 2011 people in the private rented sector will no longer get housing benefit for houses with more than four bedrooms
- From April 2011 the budget for discretionary hardship payments will increase
- From April 2011 the freeze on non-dependent deductions will be removed
- From April 2011 private rented sector claimants with a disability will be allowed an additional room for a carer
- From April 2011 housing benefit in the private rented sector will be based on the bottom third of local rents
- From January 2012 the age limit for the shared room rate will be increased from 25 to 35
- From April 2013 people in the social rented sector will be penalised for under-occupation

Tax Credits

- From April 2011 tax credit eligibility for families with a household income above £40,000 will be reduced, with further reductions in April 2012
- From April 2011 there will be a freeze in the basic and 30 hour elements of Working Tax Credit for three years
- From April 2011 there will be a reduction from 80% to 70% in childcare costs payable through the childcare element of Working Tax Credit
- From April 2011 a person's maximum tax credit entitlement will be tapered away at a rate of 41% above the threshold figure
- From April 2011 the baby element of tax credits will be removed (worth £545)
- From April 2011 the child element of Child Tax Credit will be increased by £30 and by £50 in April 2012
- From April 2011 there will be a reduction in the disregard for income increases from £25,000 to £10,000 and then to £5,000 from April 2013
- From April 2011 people aged 60 and over will qualify for Working Tax Credit if they work at least 16 hours a week
- From April 2012 the 50 plus element of Working Tax Credit will be removed
- From April 2012 the backdating of tax credits will be reduced from three months to one month for new and existing claims
- From April 2012 the working hours requirement for couples with children will be increased, so that they will have to work 24 hours a week between them, with one partner working at least 16 hours a week in order to qualify for Working Tax Credit
- From April 2012 the introduction of a disregard of £2,500 for income falls - this means that any reduction in income in a year of less than £2,500 will not affect a tax credit award

Pension Age

- From April 2011 the savings element of Pension Credit will be frozen for four years
- From April 2011 the basic state retirement pension will be uprated by the higher of earnings, prices or 2.5%, this change also applies to guarantee Pension Credit
- From April 2020 the state pension age for men and women will be 66
- Winter Fuel Payments remain unchanged

Sickness and Disability Benefits

- From February 2011 all claimants on Incapacity Benefit and Income Support claimed on the basis of incapacity will be migrated to Employment and Support Allowance over a three year period until March 2014
- From October 2012/April 2013 (date to be confirmed) contributory Employment and Support Allowance for claimants in the work-related activity group will be time limited to one year
- From 2013 a compulsory medical examination will be introduced for all new and existing working age DLA claims

Benefits for Parents

- From October 2010 single parents will be required to look for work when their youngest child reaches the age of seven.
- From January 2011 the Health in Pregnancy Grant will be abolished (worth £190)
- From April 2011 the Sure Start Maternity Grant will be restricted to the first child only

Overall Benefits and Tax Credits

- From April 2011 the Government will use the Consumer Price Index (CPI) to up-rate benefits and tax credits for working age claimants rather than the current Retail Price Index (RPI)
- From April 2013 total household benefit payments will be capped on the basis of average take-home pay for working households. They will be capped at around £500 per week for couple and lone parent households, and around £350 per week for single adult households. DLA claimants, war widows and working families claiming Working Tax Credit will be exempt from the cap
- Cold Weather Payments remain unchanged
- The current system of means-tested working age benefits will be replaced with a new integrated benefit called Universal Credit. This will be introduced over the next two parliaments.

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