

Our freephone helpline is open from 09:30-17:00, Monday - Friday if you need any help or have any questions. Read also our Guide to Future Benefits changes to see how the cuts will affect you.

contact a family
for families with disabled children

Changes in store for working families as of April 2012

In last month's Spending Review, the Chancellor announced further cuts to tax credits for working families.

Working tax credit frozen for lone parents and couples.

While most benefits payments will be raised in line with inflation, two specific working tax credit elements will be **frozen for 2012/13**. These are:

- 1- the lone parent element – an extra amount included in your tax credit award if you are a lone parent making a claim for working tax credit;
- 2- the couple rate – an extra amount included in your award if you are one of a couple making a joint claim for working tax credit.
- 3- Another element, paid where someone works 30 hours a week had already been frozen by government.

As a result many working families on low to middle incomes will be worse off next year in real terms.

It will not affect those out of work families who are only eligible for child tax credit. However it is worth noting that the government has also decided to scrap an above inflation increase in child tax credit payments that it had originally planned for 2012/13.

Couples who work between 16-23 hours

Couples who work between 16-23 hours also need to be aware of another previously announced change. From April the government intends to change the working tax credit rules, so that **a couple will only be eligible if they work 24, rather than 16 hours a week**. In order to satisfy these new rules one partner can work 24 hours or more, or a couple can share the hours - so long as one partner works at least 16 hours.

Will this change affect lone parents?

No, lone parents will continue to be eligible for working tax credit so long as they work at least 16 hours a week. An exception will also be made in those cases where a couple includes a disabled worker or a worker aged 60 or above, and to some cases where one member of a couple is unable to work due to their own illness or disability.

What happens if I cannot increase my working hours?

If you are a couple working 16 -23 hours and cannot increase your hours, you are likely to lose your entitlement to working tax credit in April 2012. Depending on your circumstances this could mean a reduction of up to £74 per week. ***You should seek advice about whether you will be able to get extra help via other benefits instead (for example by getting an increase in housing benefit).***

What happens if I do increase my hours?

If increasing your hours to 24 a week or more is an option then you should remain eligible for working tax credit. However you should get advice about whether the higher earnings resulting from your increased hours will impact on any other benefits that you receive such as Carer's Allowance.

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Change to Employment Support Allowance for the over 16s

In April 2012 the government also intends to make two big changes to Employment and Support Allowance (ESA).

- 1- Firstly it intends to scrap Employment and Support Allowance (ESA) in youth.
- 2- In addition it also intends to limit payment of contributory ESA to 12 months for those claimants in the work related activity group.

What is ESA in youth?

ESA is a benefit for people of working age whose ability to work is limited by their health problems. There are two types of ESA – income related ESA which is means tested and contributory ESA. Normally you need to have worked and paid national insurance contributions in order to get contributory ESA. ***However there are special rules which allow young people aged 16-19 (and some 20 -24 year olds in certain circumstances) to get Contributory ESA despite never having worked and paid national insurance. These special rules are known as ESA in youth.***

Once ESA in youth is scrapped does this mean that young disabled people will no longer be able to claim ESA?

No. The majority of young disabled people will still be able to claim income related ESA. So long as they have little in the way of income or capital they are unlikely to be any worse off as a result of ESA in youth being scrapped. However there are some young people who may be worse off e.g. because they have capital in excess of £6000 or other income such as student grants or loans.

My child does not currently get ESA in youth. Should they claim before the law is changed?

This will depend on both you and your child's circumstances. So long as your child is likely to qualify for the full rate of income related ESA there will be no need for you to claim ESA in youth. However if they are likely to be refused income related ESA or paid it at a reduced rate then this is something you should consider. However you also need to be aware that if your child does claim ESA this means that any payments that you get for them as part of your family will stop (e.g. child benefit, child tax credit or income support payments for them as a dependant child). This is a very complex area so seek advice from our free Helpline.

My child already gets ESA in youth. Will this continue once the rules change?

Their payments of ESA in youth will continue indefinitely so long as they have been assessed as falling under the 'support group'. If they are in the 'work related activity group' then they will be caught by a separate rule change limiting payment of contributory ESA (which includes ESA in youth). Currently contributory ESA can be paid indefinitely. However from April 2012 anyone who falls into 'the work related activity group' will have their payments limited to 12 months. Unfortunately time already spent on contributory ESA or Incapacity Benefit immediately prior to April 2012 will count towards the 12 month limit. This means some claimants may see their payments stop straightaway. Depending on individual circumstances someone losing their contributory ESA may be able to get income related ESA instead.

Advice on all of these issues is available via our free Helpline on 0808 808 3555 (weekdays 9.30am-5pm). We also produce a free guide to Future Benefit changes which is available free from the Helpline.

Other changes happening in April 2012

There are a number of other changes scheduled for April 2012 that may also impact on families looking after a child with a disability. These include:

- Backdating of tax credits following a new claim or certain changes of circumstances will be reduced from 3 months to one month.
- **Falls in income of less than £2500 will not be taken into account in calculating your tax credit award.** Tax credits awards are normally based on previous year's income. However if your income is expected to fall, you can currently ask for your credit award to be based on an estimate of your current year's income instead. **This means that your tax credit award can be increased immediately to take into account your drop in income.** From April 2012 tax credits will not be increased to take into account the **first £2500** of an in-year fall in annual income – leaving those whose income drops worse off than under current rules.
- Currently families whose income is under £40,000 are guaranteed a minimum payment of tax credits. This guaranteed payment of £545 per year is being scrapped in April. After that date you will only get tax credits if you qualify via a full calculation. **As a result some families who only qualify for £545 per year may find that their tax credit payments stop.**

Finally some good news – the government has recently announced that it has scrapped its plans to stop payment of DLA mobility for those in residential schools and care homes.