

A woman with voluminous, dark, curly hair is shown in profile, looking towards the left. She is wearing a blue and white vertically striped button-down shirt. The background is a soft, out-of-focus indoor setting with light coming from the left.

A guide to benefits for self-employed people

by Jessie Day

About Simply Business

We're one of the UK's largest business insurance providers. Since we started life in 2005, we've helped three million small businesses and self-employed people find the protection that's right for them, from builders to bakers and personal trainers (we cover landlords, too).

How does it work?

Answer a few questions about your business and we'll show you quotes from a range of insurers. After you buy, our Northampton-based team will be with you through every step of your cover, whether you have questions about your policy or you need to make a claim.

Self-employed benefits

When you're running a small business, every penny counts. So it makes sense to know the facts around benefits for the self-employed, and what to keep an eye on for the future.



Contents

Self-employed benefits available	5
New Enterprise Allowance	5
UC – Universal Credit	6
Jobseeker’s Allowance (JSA)	9
Housing Benefit	11
Working Tax Credit	12
Council Tax Reduction	12
Child Tax Credit (and Child Benefit)	13
Employment and Support Allowance	14
Pension Credit	15

Self-employed benefits available

So, what benefits are the self-employed entitled to? From Universal Credit and Pension Credit to the New Enterprise Allowance for entrepreneurs, here's your guide to benefits available in the UK.

New Enterprise Allowance

If you're starting your own business, or already run one, you could get mentoring and an allowance benefit.

You may be eligible if you're aged 18 or over and get Universal Credit, Jobseeker's Allowance or Employment and Support Allowance (or your partner does). You may also be eligible if you get Income Support and are a lone parent, sick or disabled.

How to apply for the New Enterprise Allowance – and how much is it?

Through the [New Enterprise Allowance](#), you'll work with a mentor to create a business plan. Once this is approved, you could get a weekly allowance worth up to £1,274 over 26 weeks.

To get started, speak to your nearest [Jobcentre Plus](#).

UC – Universal Credit

[Universal Credit \(UC\)](#) is replacing several of the government's previously existing benefits:

- Child Tax Credit
- Housing Benefit
- Income Support
- income-based Jobseeker's Allowance (JSA)
- income-related Employment and Support Allowance (ESA)
- Working Tax Credit

It's a payment to help with your living costs if you're on a low income or out of work. Most people on Universal Credit receive a monthly amount (some people in Scotland get paid twice a month).

You may be eligible if:

- you're on a low income or out of work
- you're 18 or over (there are some exceptions if you're 16 to 17)
- you're under State Pension age (or your partner is)
- you and your partner have £16,000 or less in savings between you
- you live in the UK

How to apply for Universal Credit – and how much can you get?

Your UC payments will depend on your earnings and whether you have children, have a disability or health condition that stops you working, or if you need help paying your rent. If you live with your partner, their income and savings will be taken into account too.

You can use the [benefits calculator](#) on the government website to work out how much you'll get.

The government website has more information on [how to claim Universal Credit](#) when self-employed.



Coronavirus and Universal Credit

If you're not eligible for Statutory Sick Pay, you can apply for Universal Credit and/or New Style Employment and Support Allowance. They're also available if you can't work because of a risk to public health.

Since 6 April 2020 the Minimum Income Floor (an assumed level of income) has been relaxed for all UC claimants during the Covid-19 pandemic. Universal Credit payments have instead been based on actual monthly earnings, rather than expected.

However, from **31 July 2021** this is changing and the Minimum Income Floor might apply to you if you're 'gainfully' self-employed. Essentially this means if being self-employed is your main job, it provides a regular income, and you expect to make a profit. You'll also need to be in the 'all work-related requirements group' on your UC account and are expected to work or look for work.

If you're not in gainful self-employment then your payments will be based on how much you actually earn.

You shouldn't go to the Jobcentre Plus unless asked to do so for an exceptional purpose, for example to collect your Payment Exception Service vouchers. Interviews and assessments will be done by telephone.

If you need to make a new claim for UC, you can apply online and have your interview over the phone.

If you're self-employed and already claiming Universal Credit – and you need to stay at home or are ill because of coronavirus – the Minimum Income Floor won't apply while you're affected.

Read more about the government's [coronavirus support for small businesses and the self-employed](#).

Jobseeker's Allowance (JSA)

Self-employed Jobseeker's Allowance (JSA) is designed to give support if you're on a low income, or out of work. Claiming JSA after being self-employed is possible, you just need to understand the category you fall into, and how to apply.

There are three types of JSA – 'new style', contribution-based, and income-based. If you're self-employed, you won't be eligible for 'new style' or contribution-based JSA, as this type would depend on your Class 1 National Insurance Contributions (NICs). Being self-employed, you don't pay these. There are a couple of very specific exceptions to this – to see who is entitled to Job Seeker's Allowance, check the government's [JSA eligibility information](#).

You may, however, be eligible for income-based JSA. This is means-tested, and an important benefit for self-employed people on low income. Whether you can get it will depend on your age, immigration and education status (part-time students generally won't be eligible) and crucially, how many hours you're working every week. If it's less than 16 you could be eligible.

Remember, even if this is a self-employed jobseeker's benefit, if you have a partner they'll need to be working less than 24 hours a week on average for you to qualify.

How much is Job Seeker's Allowance?

It depends on your age, income and savings. You can use a [benefits calculator](#) on the government website to find out how much you'll get.

The following JSA amounts are usually paid every two weeks:

up to 24	up to £57.90
25 or over	up to £73.10
a couple and both over 18	up to £114.85



Housing Benefit

Housing Benefit is being replaced by Universal Credit, and you can only make a new claim if one of these criteria applies to you:

- you're getting, or are entitled to, the severe disability premium now (or within the last month)
- you've reached State Pension age
- you live in temporary accommodation
- you live in sheltered or supported housing with special facilities such as alarms or wardens

If none of these apply, you'll need to claim Universal Credit instead. The eligibility criteria have also changed for couples, **from May 15 2019**, so check with gov.uk before you apply.

For people who are still eligible for Housing Benefit, your living arrangements are important. If you live in the home of a close relative, or you're a full-time student (unless you're disabled), you won't be able to claim. You usually won't be eligible if you have savings over £16,000, or if you're claiming Universal Credit at the same time.

How much Housing Benefit will I get?

There are lots of other conditions and things to factor in, and the best place to read up is always the government's dedicated [Housing Benefit page](#), for the latest guidance.

Get organised now though by having a clean copy of your accounts to hand, or the right details to complete a certificate of earnings form, as well as the Housing Benefits application form.

Working Tax Credit

For most new claims, Universal Credit has replaced Working Tax Credit (WTC). As one of the key self-employed tax benefits for businesses in the UK, it's worth reading up on [WTC and its transfer to Universal Credit](#).

If you're already claiming WTC or meet the [new eligibility criteria](#), you'll need to be working for more than 30 hours a week (it can be less depending on your age and circumstances) to keep the WTC.

How much WTC will I get?

The basic annual amount of Working Tax Credit is up to £2,005. Factors like whether you're in a couple, a single parent, work at least 30 hours a week, or have a disability may affect the amount you get.

Council Tax Reduction

Council Tax Reduction (also known as 'Council Tax Support') allows people on a low income to pay a reduced bill, making it another of our key benefits for the self-employed. You may even be eligible to stop paying Council Tax altogether.

The first thing to do is check how your local council manages [council tax reduction](#) on the government's website, using their postcode checker.

How much Council Tax Reduction will I get?

You can apply for the benefit whether you own your home, rent, are unemployed or working, but eligibility and what you get will depend on your circumstances, household income, and whether anyone else lives with you.

Based in Northern Ireland? Here's some advice on a [separate scheme for Northern Ireland](#).

Child Tax Credit (and Child Benefit)

Self-employed tax benefits are important considerations for families, too. Whilst we're here, [self-employed tax-free childcare](#) is another key support to look into, so read up on our guide to applying, as well as the benefits below.

Child Tax Credit

This benefit has now been replaced by Universal Credit for most new applications.

If you still meet the eligibility criteria, your Child Tax Credit is calculated on a number of factors including your income, how many children live with you, their age and whether any of them have a disability.

Check with [gov.uk](#) to see if you're eligible for [Child Tax Credit](#), and how yours will be worked out.

Child Benefit

A key benefit for families across the UK, you can get Child Benefit if you're responsible for one or more children under the age of 16 (or 20, depending on their education status).

Again, this has its benefits for the self-employed, but you may have to pay a tax charge if your income (or your partner's) is over £50,000.

Top tip: even if you don't want to claim, filling out the form will help you get National Insurance credits, which count towards your State Pension.

Take a look at the government's [Child Benefit overview](#), to understand what's important when sorting out your Child Benefit arrangements.

Employment and Support Allowance

If you're unable to work because of an illness or disability, you may be able to claim Employment and Support Allowance (ESA).

This benefit depends on a number of factors, including age and income circumstances – the Citizens Advice Website lists everything you need to do on its [ESA overview page](#), and you can also get clear guidance from your local Citizens Advice Bureau. You should also note that you may be required to undergo a Work Capability Assessment in order to claim ESA.

How much ESA will I get?

While your claim is being assessed, you'll normally be on one of the following rates for 13 weeks

under 25	up to £59.20 a week
25 or over	up to £74.70 a week

After you're assessed, you'll be on one of the following rates

if you're able to go back to work	up to £74.70 a week
if you're not able to go back to work	up to £114.10 a week

Pension Credit

Last but not least in our guide to self-employed tax benefits, if you're above State Pension age you may be eligible for Pension Credit. Whether you're a long way off or just round the corner from State Pension age, put it on your radar – it's an important one for the self-employed.

Pension Credit is currently chopped into two parts – Guarantee Credit and Savings Credit. The first one tops up your weekly income if it's below a certain threshold, whilst the extra Savings Credit is a payment for people who've saved some money towards their retirement.

That's the current guidance, but it's important to note that if you reached State Pension age on or after 6 April 2016, you probably won't be eligible for the Savings Credit. Check what applies to you on the government's [Pension Credit overview](#).

Planning for retirement? You should also check out our [guide to setting up your own self-employed pension](#).

How much Pension Credit will I get?

If you're a single person you'll get the following each week:

Guarantee Credit	top up to £177.10
Savings Credit	up to £14.04

If you're a couple you'll get the following each week:

Guarantee Credit	top up to £270.30
Savings Credit	up to £15.71

Other factors may mean you get more than this – you can use the [government Pension Credit calculator](#) to check the amount you'll get.

This article is just for guidance. You should always seek independent, tailored advice, for example from your local Citizens Advice Bureau, before taking action.

Related articles

[How much has the pandemic cost hospitality businesses so far?](#)

[Covid-19 has cost hair and beauty professionals over £11,000](#)

[Coronavirus: what support is available for small businesses and the self-employed?](#)

[Why do I need business insurance?](#)

Join our small business community





© Copyright 2021 Simply Business.