

Content item name*

Benefit Cap – Household Earnings Exemption
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Alternative names *(enter any other names that staff or public might use to refer to this item)*

Summary*

How to calculate the Benefit Cap Household Earnings Exemption

Content*

A Benefit Cap exemption applies when a household earns at least the minimum qualifying amount per month to be exempt from the Benefit Cap. To calculate the qualifying amount, the agent must use the current National Living Wage (NLW) figure regardless of the age of the claimant.

Example:

The NLW in 2018 - 2019 is £7.83 per hour. The minimum amount a household must earn per month to be exempt from the Benefit Cap will be $(16 \times £7.83 \times 52) \div 12 = £542.88$ rounded down to £542 per month. Consequently, if a household's earnings are £542 net earnings per month or more (using the NLW rates for 2018 - 2019), the household is exempt from the Benefit Cap.

Agents must ensure that they are using the up to date NLW rates (NLW rates can be found on GOV.UK).

Agents must also be aware that although different age groups have different NMW rates, the Benefit Cap exemption calculation uses the NLW rate – whatever the age of the claimant.

Benefit Cap Household Earnings Exemption and the Grace Period

If net earnings are equal to or more than the Benefit Cap Household Earnings Exemption, the household is eligible for the Grace Period.

If the 12 months (used to assess if the Grace Period applies) spans two financial years, uprating will need to be accounted for.

Example:

If the 12 months (used to assess if a grace period applies) is from June 2017 to May 2018, two calculations are required. The Benefit Cap Household Earnings Exemption figure for 2017-2018 was a set amount of £520 per month, therefore, the household net earnings would need to be £520 or more for June 2017 to March 2018.

For the months of April 2018 to May 2018, the Benefit Cap Household Earnings Exemption would need to be calculated as:

The NLW in 2018 - 2019 is £7.83 per hour.

$(16 \times £7.83 \times 52) \div 12 = £542.88$ rounded down to £542 per month.

The household net earnings would need to be £520 or more per month from June 2017 to March 2018 and £542 per month or more from April 2018 to May 2018 for the household to be eligible for the Grace Period.