

I receive Tax Credits and have been made redundant

Entitlement to Working and Child Tax Credit are calculated based on income in the relevant tax year. Taxable payments when you are made redundant count as employment income for Tax Credits. Taxable payments include statutory and non-statutory redundancy payments and pay in lieu of notice. The first £30,000 of redundancy payments (but not pay in lieu of notice) is ignored.

Any outstanding holiday pay that you receive is also employment income for Tax Credits.

New-Style Jobseekers Allowance also counts as income for Tax Credit purposes.

There are no capital limits for Tax Credits (unlike other means-tested benefits like Housing Benefit). Interest on savings is treated as income, with the first £300 per year being ignored.

You can only receive Working Tax Credit if you and/or your partner (if appropriate) are working full time (this can be 16, 24 or 30 hours per week depending on your circumstances). It is therefore possible that redundancy could end your Working Tax Credit claim, unless you have a partner who is also working enough hours. If you claim Child Tax Credit, this can continue.

You must advise the Tax Credit Office within 1 month if you stop working, unless you have a partner and your partner continues to be working full time. If you were only receiving Working Tax Credit, your award will end. If you were receiving Working and Child Tax Credits, then a new “relevant period” will start, and any ongoing entitlement to Child Tax Credit will be calculated based on your new circumstances.

If you do not notify Tax Credits this could lead to an overpayment which they are likely to want to recover from you. Take advice if this happens to you.

Should I claim Universal Credit if my Working Tax Credits Stop?

If you and/or your partner stop working full time (this could be 16, 24 or 30 hours per week depending on your circumstances) Working Tax Credit can no longer be paid. If you are receiving Child Tax Credit this will continue. Losing WTC can lead to a large drop in income. There is a 4-week WTC run-on if you stop work. Your WTC award can continue if you are re-employed within that time.

We would recommend that you do a benefit check before making a claim for Universal Credit - there are links at the end of this article.

Once you make a claim for Universal Credit, Working and Child Tax Credits end immediately and you will not be able to make a claim for Tax Credits in the future. Any Housing Benefit will also end (after a 2 week run-on in most cases) as help with rent is included in the Universal Credit claim.

Whether you are better off on legacy benefits like Tax Credits/Housing Benefit or on Universal Credit depends on you and your family's individual circumstances. It also depends on what you think may happen to you in the future. For example, as a self-employed person you may be better off on Universal Credit currently, but could find yourself worse off in the future if/when the emergency legislation around Coronavirus ends.

If your employer is insolvent you can find information here:
<https://www.gov.uk/your-rights-if-your-employer-is-insolvent>

<https://www.citizensadvice.org.uk/> For online advice and details of local phone and webchat services

<https://www.understandinguniversalcredit.gov.uk/coronavirus/> Government information pages

<https://www.entitledto.co.uk/> Online benefit calculator

<https://benefits-calculator.turn2us.org.uk/AboutYou> Online benefit calculator