

Session 2

Your Income



Money can't buy you happiness – but it can buy stuff and pay the rent! As you move into living independently, you'll be finding ways to pay the bills – either by working, being self employed or claiming benefits if you need help. Now you've finished this module, you should understand more about how your income works, either that working or benefits, and know what tax is for.

Useful Info

Working Income



If you work for someone else in the UK ("employed") then you are entitled to a minimum amount of pay per hour – this is called the Minimum wage, and is different depending on your age:



Another important type of wage is the Living Wage. This is suggested by the Living Wage Foundation and is NOT mandatory – workplaces choose if they want to pay this much, no one makes them.

We are a
Living Wage
Employer

21 - 24	18 - 20	Under 18	Apprentice
£8.20	£6.45	£4.55	£4.15

At the moment, the rates for Living Wages are:

In London	Outside London	Finally, the government have a National Living Wage. This is a minimum wage for over 25's and is £8.72 an hour.
£10.75	£9.30	

You should note that self employed people, prisoners, army staff and some farm workers are not entitled to the minimum wage. If you want to check, you can go to gov.uk for more information.



If you work for someone, they are usually responsible for ensuring you are paying the right amount of tax and national insurance. You should still make sure this is correct – if it isn't HMRC will be asking you to pay any shortfall, not your boss!



Self Employment

If you start your own business or work as a freelance contractor (think Uber, Deliveroo, Taskrabbit etc!), you have to make sure you pay your own tax and national insurance. You'll do this by making NI payments yourself directly to HMRC and

by submitting a Tax Return every year so they can work out how much tax you owe. You also need to let HMRC know within 3 months of starting self employment of any kind. Self employment can be great as its flexible and you only have to

work when you want to. However, work can be irregular and the added responsibility of doing your own tax can put some people off. You can check the gov.uk website if you want more information about when you are self employed vs employed.

Income Tax

Whether you work for someone else, you start your own company or you work as a self-employed contractor, you will be expected to pay tax – in this case it's called Income Tax.



Everyone starts with a tax free allowance

£12,500

a year for the April 19 - April 20 tax year

Then, if you earn more than the allowance but less than £50,000 a year, you will pay

20%

of the amount above £12,500

If you earn more than £50,000 a year, anything you earn between £50,000 to £150,000 a year will be taxed at

40%

If you earn more than £150,000 a year, everything from £150,000 upwards will be taxed at

45%

If you earn more than £100,000 a year, you will lose £1 of tax free allowance for every £2 over £100,000 you earn. For example, if you earn £110,000, you would lose £5000 of your tax free allowance. That money would then be taxed.



Benefits

If you are unable to work, the UK welfare system is designed to support you. The benefits rules are really complicated and the best bet to see if you can claim any benefits is to go to your local job centre or use a benefits checker online – you can find some in the list of websites in this section.

The most common benefits are:

Job Seekers Allowance – JSA

£57.90 if you're 18 to 24, £73.10 if you're 25 or over
£114.85 if you claim income-related JSA as a couple



Employment Support Allowance – ESA

A single person aged under 25 - £57.90, A single person aged 25 and over - £73.10 (for both contributory ESA and income-related ESA). A couple aged 18 and over - £114.85 (income-related ESA only). If after the Work Capability Assessment you are placed in the Support group you will be awarded an additional component worth £38.55 a week.

Income Support – IS

Single, aged 16-24: £57.90, Single, 25 or over: £73.10, Single parent, 18 or over: £73.10, Couples, one under 18, the other 18 to 24: £57.90, Couples, one under 18, the other 25 or over: £73.10, Couples, both 18 or over: £114.85.



Housing Benefit – HB

Designed to pay the rent for you if you cannot afford to. If you work, you may still be able to claim some HB to help with costs. If you rent from a private landlord, you may get LHA (Local Housing Allowance) instead. This has a cap on how much help you will get and may mean you need to pay more towards your rent.



Working / Child Tax Credit – WTC / CTC

The amount you'll get depends on your circumstance – you should use a benefits calculator to work out if you might be entitled to this



Disability Living Allowance / Personal Independence Payments – DLA / PIP

Daily Living – Standard Rate: £58.70, Daily Living – Enhanced Rate: £87.65, Mobility – Standard Rate: £23.20, Mobility – Enhanced Rate: £61.20. If you have a terminal illness, you will automatically get the daily living enhanced rate. The mobility rate you get (if at all) will depend on the level of help you need with mobility. The daily living rate is for the extra help you need with everyday tasks. This can include preparing food, washing, getting dressed or communicating with other people. The mobility rate is for the extra help you need getting around. This can include moving, planning a journey or following a route.



Universal Credit



Universal Credit is the biggest change to the benefits system since they were created. The idea is to make the system easier by merging a number of benefits into one new benefit called Universal Credit.

Three big changes:



Some benefits are being replaced by the new Universal Credit



Payments will be made monthly, not fortnightly or weekly as most benefits do at the moment



Rent will be paid to you and you will be asked to pay it to your landlord yourself. (If you think you will struggle with this, you may be able to arrange for payments to go direct to your landlord)

If you claim Disability Living Allowance, it will become Personal Independent Payments. This will mean you need to go to an assessment to see how badly your condition affects you and this will determine if you get the claim or not.



To work out how much you might be eligible for, use a benefits calculator – you can find links in the websites section of this handout.



If you claim JSA, ESA, IS, HB, WTC or CTC, you will be moved to Universal Credit. The amount you receive will be based on what elements you are entitled to and will be different from person to person. Someone just claiming JSA on £57.90 a week at the moment would receive £251.77.

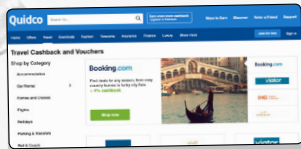


At the moment, the rollout is happening slowly between now and 2023. If you currently claim benefits, you will be told when Universal Credit will come in for you. If you make a new benefits claim and the area you are in is a Universal Credit area, you will be put straight onto the Universal Credit system.

Useful Websites and Apps

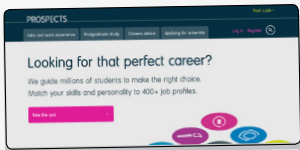


Websites



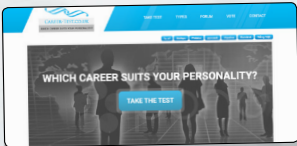
www.sarosresearch.com

Survey / focus group booking site which will pay you for your experience and opinions.



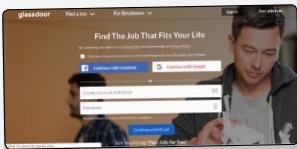
www.prospects.ac.uk

This website allows you to find information about different jobs and careers to help you work out what you want to do when you graduate



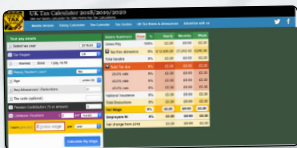
www.career-test.co.uk

Personality test which suggests what jobs you may enjoy



www.glassdoor.co.uk

See what other people think of employers before you apply for the job! Includes information on average wages, interview processes and also staff reviews of their workplace.



www.listen totaxman.com

Great website to check how much tax and NI you will pay when you start work. Basically a tax calculator.



www.turn2us.org.uk

Benefits checker/calculator and grants finding website which also has useful info about benefits



www.gov.uk

Government information on all sorts of topics including benefits, housing, work rights and lots more. Also has access to a benefits calculator



Taskrabbit

Get paid for doing odd jobs like cleaning, pet sitting or even line waiting!



HMRC

Information about your tax, including ways to contact HMRC if you need help



BeMyEye

Mystery shopping on your phone - get paid to answer questions about shops near you



Quidco

Get cashback when you buy things online by using this app's links - and it doesn't cost you a penny!



MobEye

Get paid for taking pictures the app asks for. Small amounts but lots of chances to make money



Airtime Rewards

Like Quidco, this will give you cashback. However, this links to your bank cards for in store cashback and is used to pay some or all of your phone bill