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Your ref: Council – Welfare Bill -  
04112015

Dr Carolyn Wilkins  
Oldham Council  
Level 3, Civic Centre  
West Street  
Oldham  
OL1 1UG

Our ref: POS(4)4053/289

3 December 2015

Dear Dr Wilkins,

Thank you for your letter of 10 November to the Secretary of State on behalf of Dr Carolyn Wilkins of Level 3, Civic Centre, West Street, Oldham regarding Universal Credit and the changes to tax credits. I am replying as the Minister responsible for this area of the Department's work.

The Summer Budget 2015 announced a measure to reduce income thresholds in tax credits and work allowances in Universal Credit.

In the spending review the Chancellor announced that the changes to tax credits would not go ahead.

The House of Lords wanted the impact of the welfare changes announced at Summer Budget to be phased in, to allow for the benefits of the National Living Wage and increases in the personal tax allowance to tax effect.

The Chancellor has listened and we are doing just that. Many claimants will benefit from these measures before the transition to Universal Credit:

- the personal tax allowance will continue to rise – reaching £11,000 in 2016/17 – saving the typical taxpayer over £900 a year; and
- the National Living Wage will come into effect from April 2016, and is forecast to reach over £9 an hour by 2020.

Universal Credit policy is unchanged since the Budget announcement.

Universal Credit is fundamentally different to tax credits; it is a major reform of welfare that makes work pay.

Universal Credit extends financial incentives to people working less than 16 hours per week and removes the limit to the number of hours somebody can work each week.

The fragmented current system means that a claimant could be worse off if they increased their hours of work, but Universal Credit ensures that they will always gain for every additional hour worked.

A single taper of 65 per cent means that financial support is withdrawn at a consistent and predictable rate, helping claimants to clearly understand the advantages of work.

Universal Credit stays with a claimant when they enter work, giving them the confidence to enter work without having to go through the bureaucracy of changing their benefit claim.

Anybody being moved onto Universal Credit from tax credits will be protected; they will not be cash losers and many of the affected families will only come over to Universal Credit much later in 2019/20, when the full National Living Wage and Person Allowance is implemented.

The Government wants to move from a low wage, high tax society to a high wage, low tax society.

These changes continue to ensure that claimants are always better off in work and always better off working more also, that those on the very lowest incomes are protected.

Yours sincerely,

A handwritten signature in black ink that reads "David". The signature is written in a cursive, slightly slanted style.

**Lord Freud**

**Minister of State for Welfare Reform**