

CARER'S ALLOWANCE AND MINIMUM WAGE INCREASE

Subject: National minimum wage rise may be bad news for some carers

Source: Contact a Family, 6 September 2013

Next month the national minimum wage (NMW) for those aged 21 and over will be increased from £6.19 to £6.31 per hour. Whilst this is good news for most low paid workers, it may cause problems for some parents on low earnings if they are claiming both carer's allowance and working tax credit.

In order to get carers allowance your earnings after allowable deductions must be no more than £100 per week. Under the current NMW someone working 16 hours work earns £99.04 per week. Since this is below £100 they can receive carer's allowance.

However from 1st October the NMW will rise to £6.31 per week. This means a carer working 16 hours a week will have earnings of £100.96 per week. Because their earnings will be 96p over the threshold they are at risk of losing all of their carer's allowance.

The obvious solution for a parent in this position may appear to be to cut their hours. However depending on your circumstances, cutting your hours to below 16 per week could mean you no longer qualify for working tax credit. This is particularly likely if that carer is a lone parent.

If you think this will affect you, seek further advice urgently about whether there are any deductions that can be made from your earnings to help you retain carer's allowance. It's important to be aware that when calculating your earnings for carer's allowance, the Department of Work and Pensions will make certain deductions from your gross earnings. This can include not only tax and national insurance, which you are unlikely to pay on such low earnings, but also:

- alternative care costs - for example paying someone to look after your child whilst you are at work. There is a cap on the maximum amount that can be deducted in this way. There is no need for the caring to be done by a registered childcare provider. It can be counted so long as you pay someone other than a close relative; or
- 50 per cent of any pension contributions that you make into a work or personal pension. So for example, if you are paying £2 per week into a pension scheme you can deduct £1 from your earnings. If your actual earnings are £100.97 per week you would be treated as having earnings of £99.97, allowing your carer's allowance to continue.

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