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STATUTORY INSTRUMENTS

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**1987 No. 1973**

**The Family Credit (General) Regulations 1987**

**PART IV**

**INCOME AND CAPITAL**

*CHAPTER I*

*GENERAL*

**Calculation of income and capital of members of claimant's family and of a polygamous marriage**

**10.**—(1) The income and capital of a claimant's partner and, subject to regulation 27 (modifications in respect of children and young persons), the income of a child or young person, which by virtue of section 22(5) of the Act is to be treated as income and capital of the claimant, shall be calculated or estimated in accordance with the following provisions of this Part in like manner as for the claimant; and any reference to the "claimant" shall, except where the context otherwise requires, be construed, for the purposes of this Part, as if it were a reference to his partner or that child or young person.

(2) Where a claimant or the partner of a claimant is married polygamously to two or more members of the same household—

- (a) the claimant shall be treated as possessing capital and income belonging to each such member and the income of any child or young person who is one of that member's family; and
- (b) the income and capital of that member or, as the case may be, the income of that child or young person shall be calculated in accordance with the following provisions of this Part in like manner as for the claimant or, as the case may be, as for any child or young person who is a member of his family.

**Calculation of income and capital of students**

**11.** The provisions of Chapters II to VI of this Part (income and capital) shall have effect in relation to students and their partners subject to the modifications set out in Chapter VII thereof (students).

**Disregard of fractions**

**12.** Where any income or capital calculated in accordance with this Part includes a fraction of a penny that fraction shall be disregarded.

*CHAPTER II*  
*NORMAL WEEKLY INCOME*

**Calculation of income on a weekly basis**

**13.**—(1) For the purposes of section 20(5) of the Act (conditions of entitlement to family credit), the income of a claimant shall be calculated on a weekly basis—

- (a) by ascertaining in accordance with this Chapter and Chapter V of this Part (other income) the amount of his normal weekly income; and
- (b) by adding to that amount the weekly income calculated under regulation 36 (calculation of tariff income from capital).

(2) For the purposes of paragraph (1) “income” includes income derived under regulations 25 and 26 (capital treated as income and notional income).

**Normal weekly earnings of employed earners**

**14.**—(1) Subject to regulation 17 (periods to be disregarded), where a claimant’s income consists of earnings from employment as an employed earner his normal weekly earnings shall be determined by reference to his weekly earnings from that employment—

- (a) over a period immediately preceding the week in which the claim is received or, if there is a trade dispute or a period of short-time working at his place of employment, over a period immediately preceding the date of the start of that dispute or period of short-time working, and being a period of—
  - (i) 5 weeks, if he is paid weekly; or
  - (ii) 2 months, if he is paid monthly; or
- (b) whether or not sub-paragraph (a)(i) or (ii) applies, where a claimant’s earnings fluctuate or are not likely to represent his weekly earnings, over such other period preceding the week in which the claim is received as may, in any particular case, enable his normal weekly earnings to be determined more accurately.

(2) Where the claimant has been in his employment or, after a continuous period of interruption exceeding 13 weeks, has resumed his employment, for less than the period specified in paragraph (1) (a)(i) or (ii)—

- (a) if he has received any earnings for the period that he has been in that employment or for the period after his resumption, and those earnings are likely to represent his weekly earnings from that employment his normal weekly earnings shall be determined by reference to those earnings;
- (b) in any other case, the Secretary of State shall require the claimant’s employer to furnish an estimate of the claimant’s likely earnings over a period of—
  - (i) 5 weeks, if he is paid weekly; or
  - (ii) 2 months, if he is paid monthly; or
  - (iii) whether or not head (i) or (ii) applies, such other period as may, in any particular case, enable his normal weekly earnings to be determined more accurately,and the claimant’s normal weekly earnings shall be determined by reference to that estimate.

(3) For the purposes of this regulation, the claimant’s earnings shall be calculated in accordance with Chapter III of this Part.

(4) For the purposes of this regulation “a period of short-time working” means a continuous period not exceeding 13 weeks during which the claimant is not required by his employer to be available to work the full number of hours normal in his case under the terms of his employment.

#### **Normal weekly earnings of self-employed earners**

**15.**—(1) Subject to regulation 17 (periods to be disregarded), where a claimant’s income consists of earnings from employment as a self-employed earner, his normal weekly earnings shall be determined, subject to paragraph (2), by reference to his weekly earnings from that employment—

- (a) over a period of 26 weeks immediately preceding the week in which the claim is received; or
- (b) where any accounts of the employment are maintained and audited by a person qualified for appointment as an auditor under section 389 of the Companies Act 1985(1), over a 52 week period in respect of which such accounts are maintained provided that that period terminates within the 26 weeks preceding the date on which the claim is received; or
- (c) over such other period of weeks preceding the week in which the claim is received as may, in any particular case, enable his normal weekly earnings to be determined more accurately.

(2) Subject to regulation 17, where the claimant has been in employment as a self-employed earner for less than the period specified in paragraph (1)(a), his normal weekly earnings shall be determined by reference to any earnings received for the period that he has been in that employment and by reference to an estimate of his likely weekly earnings over the remainder of the first 26 weeks of the employment or by reference to such other evidence as may, in any particular case, enable his normal weekly earnings to be determined more accurately.

(3) For the purposes of this regulation, the claimant’s earnings shall be calculated in accordance with Chapter IV of this Part.

#### **Normal weekly income other than earnings**

**16.**—(1) Subject to paragraph (2), a claimant’s normal weekly income which does not consist of earnings shall be determined by reference to his weekly income over a period of 26 weeks immediately preceding the date of claim or over such period immediately preceding that date as may, in any particular case, enable his normal weekly income to be determined more accurately.

(2) Where a claimant’s income consists of any payments made by a person, whether under a court order or not, for the maintenance of any member of his family, and those payments are made or due to be made at regular intervals, his normal weekly income shall be determined—

- (a) if before the date of claim those payments are made at regular intervals, by reference to the normal weekly amount;
- (b) if they are not so made, by reference to the average of such payments received in the 13 weeks immediately preceding the week in which the claim is received.

(3) For the purposes of this regulation, income other than earnings shall be calculated in accordance with Chapter V of this Part.

#### **Periods to be disregarded**

**17.** For the purposes of ascertaining a claimant’s normal weekly earnings there shall be disregarded—

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(1) 1985 c. 6.

- (a) in the case of an employed earner, any period in the assessment period where the earnings of the claimant are irregular or unusual;
- (b) in the case of a self-employed earner, any period in the assessment period during which no activities have been carried out for the purposes of the business,

and his normal weekly earnings shall be determined by reference to his weekly earnings in the remainder of that period and in such a case any reference in these Regulations to a claimant's assessment period shall be construed as a reference to the latter period.

### **Calculation of weekly amount of income**

**18.** For the purposes of regulations 14 to 16 (normal weekly income), where the period in respect of which a payment is made—

- (a) does not exceed a week, the weekly amount shall be the amount of that payment;
- (b) exceeds a week, the weekly amount shall be determined—
  - (i) in a case where that period is a month, by multiplying the amount of the payment by 12 and dividing the product by 52;
  - (ii) in a case where that period is 3 months, by multiplying the amount of the payment by 4 and dividing the product by 52;
  - (iii) in a case where that period is a year, by dividing the amount of the payment by 52;
  - (iv) in any other case, by multiplying the amount of the payment by 7 and dividing the product by the number equal to the number of days in the period in respect of which it is made.

## *CHAPTER III*

### *EMPLOYED EARNERS*

#### **Earnings of employed earners**

**19.**—(1) Subject to paragraph (2), “earnings” means in the case of employment as an employed earner, any remuneration or profit derived from that employment and includes—

- (a) any bonus or commission;
- (b) any holiday pay except any payable more than 4 weeks after termination of the employment;
- (c) any payment by way of a retainer;
- (d) any payment made by the claimant's employer in respect of any expenses not wholly, exclusively and necessarily incurred in the performance of the duties of the employment, including any payment made by the claimant's employer in respect of—
  - (i) travelling expenses incurred by the claimant between his home and place of employment;
  - (ii) expenses incurred by the claimant under arrangements made for the care of a member of his family owing to the claimant's absence from home;
- (e) any award of compensation made under section 68(2) or 71(2)(a) of the Employment Protection (Consolidation) Act 1978(2) (remedies and compensation for unfair dismissal);

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(2) 1978 c. 44; section 68(2) was amended by section 21 Schedule 3 paragraph 21 of the Employment Act 1982 (c. 46); section 71(2) was amended by the Employment Act 1982 (c. 46) sections 5 and 21 Schedule 3 paragraph 22 and Schedule 4.

- (f) any such sum as is referred to in section 18(2) of the Social Security (Miscellaneous Provisions) Act 1977(3) (certain sums to be earnings for social security purposes);
  - (g) any statutory sick pay under Part I of the Social Security and Housing Benefits Act 1982(4) or statutory maternity pay under Part V of the Act where the claimant has been in receipt of either for a continuous period of 13 weeks or more.
- (2) Earnings shall not include—
- (a) subject to paragraph (3), any payment in kind;
  - (b) any payment in respect of expenses wholly, exclusively and necessarily incurred in the performance of the duties of the employment;
  - (c) any occupational pension.
- (3) Where living accommodation is provided for a claimant by reason of his employment, the claimant shall be treated as being in receipt of weekly earnings of an amount equal to—
- (a) where no charge is made in respect of the provision of that accommodation, £12;
  - (b) where a charge is made and that weekly charge is less than £12, the amount of the difference,

except that where the claimant satisfies the adjudication officer that the weekly value to him of the provision of that accommodation is an amount less than the amount in sub-paragraph (a) or (b), as the case may be, he shall be treated as being in receipt of that lesser value.

### Calculation of net earnings of employed earners

**20.**—(1) For the purposes of regulation 14 (normal weekly earnings of employed earners), the earnings of a claimant derived or likely to be derived from employment as an employed earner to be taken into account shall, subject to paragraph (2), be his net earnings.

(2) There shall be disregarded from a claimant's net earnings, any sum, where applicable, specified in Schedule 1.

(3) For the purposes of paragraph (1), net earnings shall, except where paragraph (4) applies, be calculated by taking into account the gross earnings of the claimant from that employment over the assessment period, less—

- (a) any amount deducted from those earnings by way of—
  - (i) income tax;
  - (ii) primary Class 1 contributions under the Social Security Act(5); and
- (b) one-half of any sum paid by the claimant by way of a contribution towards an occupational or personal pension scheme.

(4) Where the earnings of a claimant are estimated under paragraph (2)(b) of regulation 14 (normal weekly earnings of employed earners), his net earnings shall be calculated by taking into account those earnings over the assessment period, less—

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(3) [1977 c. 5](#); section 18(2) was amended by section 159 Schedule 16 paragraph 29 of the Employment Protection (Consolidation) Act [1978 \(c. 44\)](#) and by section 86(2) of, and Schedule 10 Part IV paragraph 75 and Schedule 11 to, the Social Security Act [1986 \(c. 50\)](#).

(4) [1982 c. 24](#).

(5) See sections 1 and 4 of the Social Security Act [1975 \(c. 14\)](#); section 1 was amended by section 40 of the Employment Protection Act [1975 \(c. 71\)](#), section 24 of, and Schedule 2 to, the Social Security (Miscellaneous Provisions) Act [1977 \(c. 5\)](#), section 2 of the Social Security (Contributions) Act [1982 \(c. 2\)](#), section 29 of, and paragraph 5 of Schedule 5 to, the Social Security Act [1985 \(c. 53\)](#), section 86 of, and Schedule 11 to, the Social Security Act [1986 \(c. 50\)](#) and S.I. [1987/48](#); section 4 was amended by paragraph 36 of Schedule 4 to the Social Security Pensions Act [1975 \(c. 60\)](#), section 2(4) of the Education (School-Leaving Dates) Act [1976 \(c. 5\)](#), section 14(1) of the Social Security Act [1979 \(c. 18\)](#), Schedule 5 of the Social Security and Housing Benefits Act [1982 \(c. 24\)](#), sections 7(1) and (2) and 8(1) of the Social Security Act 1985, sections 74(1)(a) and (2) and 86 of, and paragraph 104 of Schedule 10 to, the Social Security Act 1986 and S.I. [1986/25](#) and [1987/46](#).

- (a) an amount in respect of income tax equivalent to an amount calculated by applying to those earnings the basic rate of tax in the year of assessment in which the claim was made less only the personal relief to which the claimant is entitled under sections 8(1) and (2) and 14(1)(a) and (2) of the Income and Corporation Taxes Act 1970(6) (personal relief) as is appropriate to his circumstances; but, if the assessment period is less than a year, the amount of the personal relief deductible under this sub-paragraph shall be calculated on a pro rata basis;
- (b) an amount in respect of primary Class 1 contributions payable under the Social Security Act in respect of those earnings; and
- (c) one-half of any sum payable by the claimant by way of a contribution towards an occupational or personal pension scheme.

#### CHAPTER IV

#### SELF-EMPLOYED EARNERS

##### Earnings of self-employed earners

**21.**—(1) Subject to paragraph (2), “earnings”, in the case of employment as a self-employed earner, means the gross receipts of the employment and shall include any allowance paid under section 2 of the Employment and Training Act 1973(7) to the claimant for the purpose of assisting him in carrying on his business unless at the date of claim the allowance has been terminated.

(2) Where a claimant is employed in providing board and lodging accommodation for which a charge is payable, any income consisting of payments of such a charge shall only be taken into account under this Chapter as earnings if it forms a major part of the total of the claimant’s weekly income less any sums disregarded under Schedule 2.

##### Calculation of net profit of self-employed earners

**22.**—(1) For the purposes of regulation 15 (normal weekly earnings of self-employed earners), the earnings of a claimant to be taken into account shall be—

- (a) in the case of a self-employed earner who is engaged in employment on his own account, the net profit derived from that employment;
- (b) in the case of a self-employed earner whose employment is carried on in partnership or is that of a share fisherman within the meaning of the Social Security (Mariners' Benefits) Regulations 1975(8), his share of the net profit derived from that employment less—
  - (i) an amount in respect of income tax and social security contributions payable under the Social Security Act calculated in accordance with regulation 23 (deduction of tax and contributions for self-employed earners); and
  - (ii) one-half of any qualifying premium payable.

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(6) 1970 c. 10; section 8(1) was amended by the Finance Act 1971 (c. 68) section 37, Schedule 6 paragraphs 1 and 5, and by the Finance Act 1985 (c. 54) section 36; subsection (1A) was added by the Finance (No. 2) Act 1975 (c. 45) section 31 and amended by the Finance Act 1977 (c. 36) section 22. Subsection (1B) was added by the Finance (No. 2) Act 1975, section 31. Section 8(2) was amended by the Finance Act 1971 section 37, Schedule 6 paragraphs 1 and 5 and by article 2 of S.I. 1985/430; sub-paragraph (b) was substituted by the Finance (No. 2) Act 1979 (c. 47) section 12, Schedule 2 paragraph 1; sub-paragraphs (b)(i) and (ii) were amended by the Finance Act 1981 (c. 35), section 139, Schedule 19 Part VI and the Finance Act 1982 (c. 39) section 157, Schedule 22 Part IV; sub-paragraph (b)(iii) was added by the Finance Act 1981 section 27 and sub-paragraph (b)(iv) by the Finance Act 1987 (c. 16) section 27. Section 14(1) was amended by the Finance Act 1970 (c. 24) section 14, Schedule 8 Part VI; section 14(2) was amended by the Finance Act 1976 (c. 40) section 36, the Finance (No. 2) Act 1979, section 11, Schedule 1 paragraph 2 and the Finance Act 1980 (c. 48) section 24.

(7) 1973 c. 50; section 2 was amended by sections 9 and 11 and Schedule 2, Part II, paragraph 9 and Schedule 3 of the Employment and Training Act 1981 (c. 57).

(8) S.I. 1975/529.

(2) There shall be disregarded from a claimant's net profit any sum, where applicable, specified in Schedule 1.

(3) For the purposes of paragraph (1)(a) the net profit of the employment shall, except where paragraph (9) or (10) applies, be calculated by taking into account the earnings of the employment over the assessment period, less—

- (a) subject to paragraphs (5) to (7), any expenses wholly and exclusively defrayed in that period for the purposes of that employment;
- (b) an amount in respect of—
  - (i) income tax; and
  - (ii) social security contributions payable under the Social Security Act, calculated in accordance with regulation 23 (deduction of tax and contributions for self-employed earners); and
- (c) one-half of any qualifying premium payable.

(4) For the purposes of paragraph (1)(b) the net profit of the employment shall, except where paragraph (10) applies, be calculated by taking into account the earnings of the employment over the assessment period less, subject to paragraphs (5) to (7), any expenses wholly and exclusively defrayed in that period for the purposes of that employment.

(5) Subject to paragraph (6), no deduction shall be made under paragraph (3)(a) or (4) in respect of—

- (a) any capital expenditure;
- (b) the depreciation of any capital asset;
- (c) any sum employed, or intended to be employed, in the setting up or expansion of the employment;
- (d) any loss incurred before the beginning of the assessment period;
- (e) the repayment of capital on any loan taken out for the purposes of the employment;
- (f) any expenses incurred in providing business entertainment.

(6) A deduction shall be made under paragraph (3)(a) or (4) in respect of the repayment of capital on any loan used for—

- (a) the replacement in the course of business of equipment or machinery; and
- (b) the repair of an existing business asset except to the extent that any sum is payable under an insurance policy for its repair.

(7) An adjudication officer shall refuse to make a deduction in respect of any expenses under paragraph (3)(a) or (4) where he is not satisfied that the expense has been defrayed or given the nature and the amount of the expense that it has been reasonably incurred.

(8) For the avoidance of doubt—

- (a) a deduction shall not be made under paragraph (3)(a) or (4) in respect of any sum unless it has been expended for the purposes of the business;
- (b) a deduction shall be made thereunder in respect of—
  - (i) the excess of any VAT paid over VAT received in the assessment period;
  - (ii) any income expended in the repair of an existing business asset except to the extent that any sum is payable under an insurance policy for its repair;
  - (iii) any payment of interest on a loan taken out for the purposes of the employment.

(9) Where a claimant is engaged in employment as a child minder the net profit of the employment shall be one-third of the earnings of that employment, less—

- (a) an amount in respect of—
  - (i) income tax; and
  - (ii) social security contributions payable under the Social Security Act, calculated in accordance with regulation 23 (deduction of tax and contributions for self-employed earners); and
- (b) one-half of any qualifying premium payable.

(10) Where the earnings of a claimant are estimated under paragraph (2) of regulation 15 (normal weekly earnings of self-employed earners), his net profit shall be calculated by taking into account his estimated earnings from the employment less the amount of the deductions likely to be made under sub-paragraphs (a) to (c) of paragraph (3) in respect of those earnings.

(11) For the avoidance of doubt where a claimant is engaged in employment as a self-employed earner and he is also engaged in one or more other employments as a self-employed or employed earner any loss incurred in any one of his employments shall not be offset against his earnings in any other of his employments.

(12) In this regulation “qualifying premium” means any premium or other consideration payable under an annuity contract for the time being approved by the Board of Inland Revenue as having for its main object the provision for the claimant of a life annuity in old age or the provision of an annuity for his partner or for any one or more of his dependants and in respect of which relief from income tax may be given.

### **Deduction of tax and contributions for self-employed earners**

**23.**—(1) The amount to be deducted in respect of income tax under regulation 22(1)(b)(i), (3)(b)(i) or (9)(a)(i) (calculation of net profit of self-employed earners) shall be calculated on the basis of the amount of chargeable income, and as if that income were assessable to income tax at the basic rate of tax in the year of assessment in which the claim was made, less only the personal relief to which the claimant is entitled under sections 8(1) and (2) and 14(1)(a) and (2) of the Income and Corporation Taxes Act 1970 (personal relief) as is appropriate to his circumstances; but, if the assessment period is less than a year the amount of the personal relief deductible under this paragraph shall be calculated on a pro rata basis.

(2) The amount to be deducted in respect of social security contributions under regulation 22(1)(b)(i), (3)(b)(ii) or (9)(a)(ii) shall be the total of—

- (a) the amount of Class 2 contributions payable under section 7(1) or, as the case may be, (4) of the Social Security Act(9) where the claimant’s chargeable income is less than the amount for the time being specified in section 7(5) of that Act(10) (small earnings exception); and
- (b) the amount of Class 4 contributions (if any) which would be payable under section 9 of that Act(11) (Class 4 contributions recoverable under Tax Acts) in respect of profits or gains equal to the amount of that income.

(3) In this regulation “chargeable income” means—

- (a) except where sub-paragraph (b) or (c) applies, the earnings derived from the employment less any expenses deducted under paragraph (3)(a) or, as the case may be, (4) of regulation 22;
- (b) in the case of employment as a child minder, one-third of the earnings of that employment; or

(9) Section 7(1) was amended by section 2(4) of the Education (School-Leaving Dates) Act 1976 (c. 5), section 17(1) of the Health and Social Security Act 1984 (c. 48) article 3 of S.I. 1986/25 and article 3 of S.I. 1987/46.

(10) Section 7(5) was amended by article 3 of S.I. 1986/25 and S.I. 1987/46.

(11) Section 9 was amended by sections 4 and 65 of, and Schedule 5 to, the Social Security Pensions Act 1975 (c. 60), by the Social Security Contributions Act 1982 (c. 2) section 1 and S.I. 1986/25.



- (c) where the earnings of the claimant are estimated under paragraph (2) of regulation 15 (normal weekly earnings of self-employed earners), his estimated earnings from the employment less any expenses likely to be deducted under paragraph (3)(a) or, as the case may be, (4) of regulation 22.

## *CHAPTER V*

### *OTHER INCOME*

#### **Calculation of income other than earnings**

**24.**—(1) For the purposes of regulation 16 (normal weekly income other than earnings), the income of a claimant which does not consist of earnings to be taken into account shall, subject to paragraphs (2) to (4), be his gross income and any capital treated as income under regulation 25 (capital treated as income).

(2) There shall be disregarded from the calculation of a claimant's gross income under paragraph (1) any sum, where applicable, specified in Schedule 2.

(3) There shall be taken into account as income under paragraph (1) 20 per cent of any income consisting of payments of a board and lodging charge which, but for regulation 21(2) (earnings of self-employed earners), would fall to be taken into account as earnings.

(4) Where the payment of any benefit under the benefit Acts<sup>(12)</sup> is subject to any deduction by way of recovery the amount to be taken into account under paragraph (1) shall be the gross amount payable.

(5) For the avoidance of doubt there shall be included as income to be taken into account under paragraph (1) any payment to which regulation 19(2) applies (payments not earnings).

#### **Capital treated as income**

**25.**—(1) Any capital payable by instalments which are outstanding at the date of the claim shall, if the aggregate of the instalments outstanding and the amount of the claimant's capital otherwise calculated in accordance with Chapter VI of this Part exceeds £6,000, be treated as income.

(2) Any payment received under an annuity shall be treated as income.

#### **Notional income**

**26.**—(1) A claimant shall be treated as possessing income of which he has deprived himself for the purpose of securing entitlement to family credit or increasing the amount of that benefit.

(2) Except in the case of a discretionary trust or a trust derived from a payment made in consequence of a personal injury, any income which would become available to the claimant upon application being made, but which has not been acquired by him, shall be treated as possessed by the claimant.

(3) Any payment of income made—

- (a) to a third party in respect of a member of the family (but not a member of the third party's family) shall be treated as possessed by that member to the extent that it is used for his food, clothing, footwear, fuel or housing costs;
- (b) to a member of the family in respect of a third party (but not in respect of another member of that family) shall be treated as possessed by that member to the extent that it is kept by him or used by or on behalf of any member of the family.

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(12) The benefit Acts are specified in section 84(1) of the Social Security Act 1986 (c. 50).

(4) Where—

- (a) a claimant performs a service for another person; and
- (b) that person makes no payment of earnings or pays less than that paid for a comparable employment in the area; and
- (c) the adjudication officer is satisfied that the means of that person are sufficient for him to pay or to pay more for the service,

the adjudication officer shall treat the claimant as possessing such earnings (if any) as is reasonable for that employment; but this paragraph shall not apply to a claimant who is engaged by a charitable or voluntary body or is a volunteer if the adjudication officer is satisfied that it is reasonable for him to provide his services free of charge.

(5) Where a claimant is treated as possessing any income under any of paragraphs (1) to (3), the foregoing provisions of this Part shall apply for the purposes of calculating the amount of that income as if a payment had actually been made and as if it were actual income which he does possess.

(6) Where a claimant is treated as possessing any earnings under paragraph (4), the foregoing provisions of this Part shall apply for the purposes of calculating the amount of those earnings as if a payment had actually been made and as if they were actual earnings which he does possess, except that paragraph (3) of regulation 20 (calculation of net earnings of employed earners) shall not apply and his net earnings shall be calculated by taking into account those earnings which he is treated as possessing, less—

- (a) an amount in respect of income tax equivalent to an amount calculated by applying to those earnings the basic rate of tax in the year of assessment in which the claim was made less only the personal relief to which the claimant is entitled under sections 8(1) and (2) and 14(1)(a) and (2) of the Income and Corporation Taxes Act 1970 (personal relief) as is appropriate to his circumstances; but, if the assessment period is less than a year, the amount of the personal relief deductible under this sub-paragraph shall be calculated on a pro rata basis;
- (b) an amount in respect of primary Class 1 contributions payable under the Social Security Act in respect of those earnings; and
- (c) one-half of any sum payable by the claimant by way of a contribution towards an occupational or personal pension scheme.

### **Modifications in respect of children and young persons**

27.—(1) Any capital of a child or young person payable by instalments which are outstanding at the date of claim shall, if the aggregate of the instalments outstanding and the amount of that child's or young person's other capital calculated in accordance with Chapter VI of this Part in like manner as for the claimant, except where otherwise provided, would exceed £3,000, be treated as income.

(2) Where the income of a child or young person, other than income consisting of payments of maintenance whether under a court order or not, calculated in accordance with the foregoing provisions of this Part exceeds the sum specified as a credit for that child or young person in Schedule 4 and regulation 46(5) (sum for child or young person who has income in excess to be nil) applies, that income shall not be treated as income of the claimant.

(3) Where the capital of a child or young person, if calculated in accordance with Chapter VI of this Part in like manner as for the claimant, except where otherwise provided, would exceed £3,000, any income of that child or young person shall not be treated as income of the claimant.

(4) Any income of a child or young person which is to be disregarded under Schedule 2 shall be disregarded in such manner as to produce the result most favourable to the claimant.

## CHAPTER VI

### CAPITAL

#### Capital limit

**28.** For the purposes of section 22(6) of the Act as it applies to family credit (no entitlement to benefit if capital exceeds prescribed amount), the prescribed amount is £6,000.

#### Calculation of capital

**29.—**(1) For the purposes of Part II of the Act as it applies to family credit, the capital of a claimant to be taken into account shall, subject to paragraph (2), be the whole of his capital calculated in accordance with this Part and any income treated as capital under regulation 31 (income treated as capital).

(2) There shall be disregarded from the calculation of a claimant's capital under paragraph (1) any capital, where applicable, specified in Schedule 3.

#### Disregard of capital of child or young person

**30.** The capital of a child or young person who is a member of the claimant's family shall not be treated as capital of the claimant.

#### Income treated as capital

**31.—**(1) Any amount by way of a refund of income tax deducted from profits or emoluments chargeable to income tax under Schedule D or E shall be treated as capital.

(2) Any holiday pay which is not earnings under regulation 19(1)(b) (earnings of employed earners) shall be treated as capital.

(3) Any charitable or voluntary payment, other than one which is, or is due to be, made at regular intervals shall be treated as capital.

(4) Except any income derived from capital disregarded under paragraph 1, 2, 4, 6 or 13 of Schedule 3, any income derived from capital shall be treated as capital but only from the date it is normally due to be credited to the claimant's account.

(5) In the case of employment as an employed earner, any advance of earnings or any loan made by the claimant's employer shall be treated as capital.

(6) Any maintenance payment other than one to which regulation 16(2) (normal weekly income other than earnings) applies shall be treated as capital.

#### Calculation of capital in the United Kingdom

**32.** Capital which a claimant possesses in the United Kingdom shall be calculated—

(a) except in a case to which sub-paragraph (b) applies, at its current market or surrender value less—

(i) where there would be expenses attributable to sale, 10 per cent; and

(ii) the amount of any incumbrance secured on it;

(b) in the case of a National Savings Certificate—

(i) if purchased from an issue the sale of which ceased before 1st July last preceding the date of claim, at the price which it would have realised on that 1st July had it been purchased on the last day of that issue;

(ii) in any other case, at its purchase price.

### **Calculation of capital outside the United Kingdom**

**33.** Capital which a claimant possesses in a country outside the United Kingdom shall be calculated—

- (a) in a case where there is no prohibition in that country against the transfer to the United Kingdom of an amount equal to its current market or surrender value in that country, at that value;
- (b) in a case where there is such a prohibition, at the price which it would realise if sold in the United Kingdom to a willing buyer,

less, where there would be expenses attributable to sale, 10 per cent and the amount of any incumbrance secured on it.

### **Notional capital**

**34.—(1)** A claimant shall be treated as possessing capital of which he has deprived himself for the purpose of securing entitlement to family credit or increasing the amount of that benefit.

(2) Except in the case of—

- (a) a discretionary trust;
- (b) a trust derived from a payment made in consequence of a personal injury; or
- (c) any loan which would be obtainable only if secured against capital disregarded under Schedule 3,

any capital which would become available to the claimant upon application being made but which has not been acquired by him shall be treated as possessed by him.

(3) Any payment of capital made—

- (a) to a third party in respect of a member of the family (but not a member of the third party's family) shall be treated as possessed by that member to the extent that it is used for food, clothing, footwear, fuel or housing costs of any member of that family;
- (b) to a member of the family in respect of a third party (but not in respect of another member of the family) shall be treated as possessed by that member to the extent that it is kept by him or used on behalf of any member of the family.

(4) Where a claimant stands in relation to a company in a position analogous to that of a sole owner or partner in the business of that company, he shall be treated as if he were such sole owner or partner and in such a case—

- (a) the value of his holding in that company shall, notwithstanding regulation 29 (calculation of capital), be disregarded; and
- (b) he shall, subject to paragraph (5), be treated as possessing an amount of capital equal to the value or, as the case may be, his share of the value of the capital of that company and the foregoing provisions of this Chapter shall apply for the purposes of calculating that amount as if it were actual capital which he does possess.

(5) For so long as the claimant undertakes activities in the course of the business of the company, the amount which he is treated as possessing under paragraph (4) shall be disregarded.

(6) Where a claimant is treated as possessing capital under any of paragraphs (1) to (4) the foregoing provisions of this Chapter shall apply for the purposes of calculating its amount as if it were actual capital which he does possess.

### Capital jointly held

35. Except where a claimant possesses capital which is disregarded under regulation 34(4) (notional capital), where a claimant and one or more persons are beneficially entitled in possession to any capital asset they shall be treated as if each of them were entitled in possession to the whole beneficial interest therein in an equal share.

### Calculation of tariff income from capital

36.—(1) Where the claimant’s capital calculated in accordance with this Chapter exceeds £3,000, it shall be treated as equivalent to a weekly income of £1 for each complete £250 in excess of £3,000 but not exceeding £6,000.

(2) Notwithstanding paragraph (1), where any part of the excess is not a complete £250 that part shall be treated as equivalent to a weekly income of £1.

(3) For the purposes of paragraph (1), capital includes any income treated as capital under regulation 31 (income treated as capital).

## CHAPTER VII

### STUDENTS

### Interpretation

37. In this Chapter, unless the context otherwise requires—

“a course of advanced education” means—

- (a) a full-time course leading to a postgraduate degree or comparable qualification, a first degree or comparable qualification, a diploma of higher education, a higher national diploma, a higher national diploma of the Business & Technician Education Council or the Scottish Vocational Education Council or a teaching qualification; or
- (b) any other full-time course which is a course of a standard above ordinary national diploma, a national diploma of the Business & Technician Education Council or the Scottish Vocational Education Council, a general certificate of education (advanced level), a Scottish certificate of education (higher grade) or a Scottish certificate of sixth year studies;

“contribution” means any contribution in respect of the income of any other person which a Minister of the Crown or an education authority takes into account in assessing the amount of the student’s grant and by which that amount is, as a consequence, reduced;

“course of study” means any full-time course of study or sandwich course whether or not a grant is made for attending it;

“covenant income” means the gross income payable to a student under a Deed of Covenant by a person whose income is, or is likely to be, taken into account in assessing the student’s grant or award;

“education authority” means a government department, a local education authority as defined in section 114(1) of the Education Act 1944<sup>(13)</sup> (interpretation), an education authority as defined in section 135(1) of the Education (Scotland) Act 1980<sup>(14)</sup> (interpretation), an education and library board established under Article 3 of the Education and Libraries (Northern Ireland) Order 1986<sup>(15)</sup>, any body which is a research council for the purposes of

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<sup>(13)</sup> 1944 c. 31, as amended by S.I. 1974/595 article 3(22) Schedule 1 Part I and S.I. 1977/293, article 4(1).

<sup>(14)</sup> 1980 c. 44.

<sup>(15)</sup> S.I. 1986/594 (NI 3).

the Science and Technology Act 1965<sup>(16)</sup> or any analogous government department, authority, board or body of the Channel Islands, Isle of Man or any other country outside Great Britain; “grant” means any kind of educational grant or award and includes any scholarship, studentship, exhibition, allowance or bursary;

“grant income” means—

- (a) any income by way of a grant;
- (b) any contribution which has been assessed whether or not it has been paid,

and any such contribution which is paid by way of a covenant shall be treated as part of the student’s grant income;

“period of study” means—

- (a) in the case of a course of study for one year or less, the period beginning with the start of the course to the end,
- (b) in the case of a course of study for more than one year, in the first or, as the case may be, any subsequent year of the course, the period beginning with the start of the course or, as the case may be, that year’s start and ending with either—
  - (i) the day before the start of the next year of the course in a case where the student’s grant is assessed at a rate appropriate to his studying throughout the year, or, if he does not have a grant, where it would have been assessed at such a rate had he had one; or
  - (ii) in any other case the day before the start of the normal summer vacation appropriate to his course;

“periods of experience” has the meaning prescribed in paragraph 1(1) of Schedule 5 to the Education (Mandatory Awards) Regulations 1987<sup>(17)</sup>;

“sandwich course” has the meaning prescribed in paragraph 1(1) of Schedule 5 to the Education (Mandatory Awards) Regulations 1987;

“standard maintenance grant” means—

- (a) except where paragraph (b) applies, in the case of a student attending a course of study at the University of London or an establishment within the area comprising the City of London and the Metropolitan Police District, the amount specified for the time being in paragraph 2(2)(a) of Schedule 2 to the Education (Mandatory Awards) Regulations 1987 for such a student; and
- (b) in the case of a student residing at his parents' home, the amount specified in paragraph 3(2) thereof;
- (c) in any other case, the amount specified in paragraph 2(2) other than in sub-paragraph (a) or (b) thereof;

“student” means a person aged less than 19 who is attending a full-time course of advanced education or, as the case may be, a person aged 19 or over who is attending a full-time course of study at an educational establishment; and for the purposes of this definition—

- (a) a person who has started on such a course shall be treated as attending it throughout any period of term or vacation within it, until the end of the course or such earlier date as he abandons it or is dismissed from it;
- (b) a person on a sandwich course shall be treated as attending a full-time course of advanced education or, as the case may be, of study;

<sup>(16)</sup> 1965 c. 4.

<sup>(17)</sup> S.I. 1987/1261.

“year” in relation to a course, means the period of 12 months beginning on 1st January, 1st April or 1st September according to whether the academic year of the course in question begins in the spring, the summer or the autumn respectively.

### **Calculation of grant income**

**38.**—(1) The amount of a student’s grant income to be taken into account shall, subject to paragraph (2), be the whole of his grant income.

(2) There shall be disregarded from a student’s grant income any payment—

- (a) intended to meet tuition fees or examination fees;
- (b) intended to meet the cost of special equipment for a student on a course which began before 1st September 1986 in architecture, art and design, home economics, landscape architecture, medicine, music, ophthalmic optics, orthoptics, physical education, physiotherapy, radiography, occupational therapy, dental hygiene, dental therapy, remedial gymnastics, town and country planning and veterinary science or medicine;
- (c) intended to meet additional expenditure incurred by a disabled student in respect of his attendance on a course;
- (d) intended to meet additional expenditure connected with term time residential study away from the student’s educational establishment;
- (e) on account of the student maintaining a home at a place other than that at which he resides during his course;
- (f) intended to meet the cost of books and equipment (other than special equipment) or, if not so intended, an amount equal to £210 towards such costs;
- (g) intended to meet travel expenses incurred as a result of his attendance on the course.

(3) A student’s grant income shall be apportioned—

- (a) subject to paragraph (4), in a case where it is attributable to the period of study, equally between the weeks in that period;
- (b) in any other case, equally between the weeks in the period in respect of which it is payable.

(4) In the case of a student on a sandwich course, any periods of experience within the period of study shall be excluded and the student’s grant income shall be apportioned equally between the remaining weeks in that period.

### **Calculation of covenant income where a contribution is assessed**

**39.**—(1) Where a student is in receipt of income by way of a grant during a period of study and a contribution has been assessed, the amount of his covenant income to be taken into account shall be the whole amount of his covenant income less, subject to paragraph (3), the amount of the contribution.

(2) The weekly amount of the student’s covenant income shall be determined—

- (a) by dividing the amount of income which falls to be taken into account under paragraph (1) by 52; and
- (b) by disregarding from the resulting amount, £5.

(3) For the purposes of paragraph (1), the contribution shall be treated as increased by the amount, if any, by which the amount excluded under regulation 38(2)(g) (calculation of grant income) falls short of the amount included in the standard maintenance grant to meet travel expenses.

**Covenant income where no grant income or no contribution is assessed**

**40.**—(1) Where a student is not in receipt of income by way of a grant the amount of his covenant income shall be calculated as follows—

- (a) any sums intended for any expenditure specified in regulation 38(2)(a) to (e) (calculation of grant income), necessary as a result of his attendance on the course, shall be disregarded;
- (b) any covenant income, up to the amount of the standard maintenance grant, which is not so disregarded shall be apportioned equally between the weeks of the period of study and there shall be disregarded from the covenant income to be so apportioned the amount which would have been disregarded under regulation 38(2)(f) and (g) had the student been in receipt of the standard maintenance grant; and
- (c) the balance, if any, shall be divided by 52 and treated as weekly income of which £5 shall be disregarded.

(2) Where a student is in receipt of income by way of a grant and no contribution has been assessed, the amount of his covenant income shall be calculated in accordance with sub-paragraphs (a) to (c) of paragraph (1), except that—

- (a) the value of the standard maintenance grant shall be abated by the amount of his grant income less an amount equal to the amount of any sums disregarded under regulation 38(2) (a) to (e); and
- (b) the amount to be disregarded under paragraph (1)(b) shall be abated by an amount equal to the amount of any sums disregarded under regulation 38(2)(f) and (g).

**Relationship with amounts to be disregarded under Schedule 2**

**41.** No part of a student's covenant income or grant income shall be disregarded under paragraph 13 of Schedule 2 and any other income shall be disregarded thereunder only if, and to the extent that, the amount disregarded under regulation 39(2)(b) (calculation of covenant income where a contribution is assessed) or, as the case may be, 40(1)(c) (covenant income where no grant income or no contribution is assessed) is less than £5.

**Other amounts to be disregarded**

**42.** For the purposes of ascertaining income other than grant income and covenant income, any amounts intended for any expenditure specified in regulation 38(2) (calculation of grant income) necessary as a result of his attendance on the course shall be disregarded but only if, and to the extent that, the necessary expenditure exceeds or is likely to exceed the amount of the sums disregarded under regulation 38(2), 39(3) and 40(1)(a) or (b) (calculation of grant income and covenant income) on like expenditure.

**Disregard of contribution**

**43.** Where the claimant or his partner is a student and the income of one has been taken into account for the purpose of assessing a contribution to the student's grant, an amount equal to the amount of the contribution shall be disregarded for the purpose of calculating the income of the one liable to make that contribution.

**Disregard of tax refund**

**44.** Any amount by way of a refund of tax deducted from a student's covenant income shall be disregarded in calculating the student's income or capital.



**Disregard of changes occurring during summer vacation**

**45.** In calculating a student's income there shall be disregarded any change in the standard maintenance grant occurring in the recognised summer vacation appropriate to the student's course, if that vacation does not form part of his period of study, from the date on which the change occurred to the end of that vacation.