

TAX CREDITS BRIEFING 4

RATES FOR 2015-2016

AND SAMPLE CALCULATIONS OF
ENTITLEMENT



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INTRODUCTION

This briefing sets out the Child Tax Credit (CTC) and Working Tax Credit (WTC) rates used to calculate entitlement for 2015/2016 and sample step by step calculations to assist advisers in assessing or checking entitlement.

Throughout the document, the term claimant refers to an individual claimant if the application is made by a single person or lone parent or to both partners in a couple as couples (whether married, civil partners or living together as a couple) need to make joint claims for tax credits.

1. TAX CREDIT RATES 2015/2016

Child Tax Credit	Annual Rate (£)	Daily Rate (£)
Family element	545.34	1.49
Child element	2,781.60	7.60
Disability element (for a child)	3,140.28	8.58
Severe disability element (for a child)	1,277.34	3.49
Working Tax Credit	Annual Rate (£)	Daily Rate (£)
Basic element	1,961.76	5.36
Couple element	2,013	5.50
Lone parent element	2,013	5.50
30 hour element	812.52	2..22
Disability element	2,971.92	8.12
Severe disability element	1,277.34	3.49

To work out daily rate: divide annual rate by number of days in current tax year and round up to the nearest penny. Please note that rounding up the daily rate means that the maximum tax credits are slightly more than the annual rate.



Childcare element	£
70 per cent of eligible childcare costs to a weekly maximum of:	
for one child	175
for two or more children	300

Thresholds	£
Income threshold	
WTC alone or WTC and CTC	6,420
CTC only	16,105
Taper	41%
Income rise disregard	5,000
Income fall disregard	2,500

To work out daily rate: divide annual rate by number of days in current tax year and round up to the nearest penny. Please note that rounding up the daily rate means that the maximum tax credits are slightly more than the annual rate.

2. CALCULATING THE ELEMENTS

2.1 Relevant period

The elements (other than the childcare element) are calculated on a pro-rata basis by taking the daily rate and multiplying it by the number of days in the relevant period. The relevant period is the number of days during the period of an award where:

- a person's entitlement to the elements of tax credits (other than the childcare element) remains the same; and
- where the award includes WTC:
 - childcare remains the same; and
 - the average weekly childcare charge does not change by £10 or more or reduce to nil.



2.2 Child Tax Credit

The qualifying conditions for elements of CTC are as follows.

Family element is paid for a family whether a lone parent or two parent family. Only one family element is available per family.

From 6 April 2012, the family element was withdrawn immediately after the child element. The second threshold of £40,000 that was used prior to 6 April 2012 has been removed. Most families with an annual income of over £40,000 will not qualify.

The income limit now depends upon individual circumstances.

CTC may not be payable if:

- a family has one child and an annual income of more than £26,000; or
- a family has two children and the annual income is more than £32,000.

However individual circumstances (eg large child care costs/disability elements) may mean that some families in the above situations will be paid some amount of CTC.

A child element is paid for each child or young person in the family. This covers children aged up to sixteen and also sixteen year olds up to 1 September following their sixteenth birthday. A young person is included in the child element between the age of sixteen from 1 September after sixteenth birthday and her/his twentieth birthday providing s/he is:

- in full-time non advanced education or approved training (this does not include education or training being obtained as part of employment or any office held, or education or training started after s/he has turned nineteen); or
- under eighteen and within the last 20 weeks has left full time education or approved training. In this case Her Majesty's Revenue and Customs (HMRC) must be told within three months that the young person is registered for work or training. This rule can apply again if a person goes back to study but leaves full time education once more.

A child element is not payable if the young person is receiving Income Support, Income-based Jobseeker's Allowance (JSA) or Income-related Employment and Support Allowance (ESA) in her/his own right. Also, the claimant may not count as responsible for a child over sixteen who is awarded CTC, Incapacity Benefit or Contribution-based ESA in her/his own right.

A disability element is paid for any child in the family who is getting Disability Living Allowance (DLA) or is registered blind or has been taken off the register in the last 28 weeks. The element still applies where DLA has stopped because a child is a patient in long term care unless the family ceases to have main responsibility for the child. It is paid in addition to the child element for that child.

A severe disability element is paid for any child in the family who is getting the highest rate of care component of DLA. It is paid in addition to the disability element and child element for that child. The element still applies where DLA has stopped because a



child is in long term care unless the family ceases to have main responsibility for the child.

The disabled child and severely disabled child element of CTC can be backdated for more than one month as long as HMRC is notified within one month of the decision to award DLA.

HMRC uses the term child element to cover the child element as well as any disability and severe disability element for the child.

2.3 Working Tax Credit

The qualifying conditions for elements of WTC changed from 6 April 2012, and are now as follows:

- single people with children, people over 60 (even if in a couple) or people with a disability can qualify for WTC if they are working at least sixteen hours;
- in some cases, couples only have to work sixteen hours a week in order to qualify, provided one person is working sixteen hours a week and the other is:
 - entitled to Carer's Allowance;
 - getting certain benefits due to ill health or disability (eg DLA);
 - a hospital inpatient; or
 - in prison.
- for most other couples, joint working hours need to be 24 hours, and at least one partner must work at least sixteen hours a week;
- people who do not have children, are not over 60 and do not have a disability can qualify if they are over 25 and work at least 30 hours per week.

A basic element is paid with each award of WTC. To qualify, the claimant or partner must be in full time work (or deemed to be in full time work). For details of how this is defined, check *Law Centre (NI) Encyclopedia of Social Welfare Rights, A7 Introduction to Tax Credits*, or Child Poverty Action Group's *Welfare Benefits and Tax Credit Handbook 2015/2016*.

A couple element is paid to a couple making a joint claim. This does not, however, apply if:

- neither the claimant nor partner is working at least 30 hours per week. However, if the claim includes a child or young person or a disability element, the claimant will not be prevented from receiving the couple element just because s/he does not work 30 hours per week.

A lone parent element is paid to a lone parent.

A 30 hour element is paid where:

- a single claimant works at least 30 hours per week; or



- a couple makes a joint claim and at least one person works 30 hours per week; or
- a couple makes a joint claim and:
 - at least one person is responsible for a child or a qualifying young person; and
 - both partners are working; and
 - at least one partner works sixteen hours per week; and
 - the joint hours worked amount to at least 30 hours per week.

A disability element is paid where a claimant or partner works at least sixteen hours per week and has a disability which places her/him at a disadvantage in getting a job. This requires the claimant or partner to satisfy a disability test. The details of the test are contained in Schedule 1 and Regulation 9(1) of the Working Tax Credit (Entitlement and Maximum Rate) Regulations 2002.

The test is set out in detail in *Law Centre (NI) Encyclopedia of Social Welfare Rights, A.7 Introduction to Tax Credits*, and Child Poverty Action Group's *Welfare Benefits and Tax Credit Handbook 2015/2016*.

In addition, the claimant or partner must also satisfy one of the following conditions:

- have been receiving for at least one day in the 182 days preceding a claim for tax credits:
 - the higher rate of short term Incapacity Benefit or long term Incapacity Benefit or Severe Disablement Allowance (SDA); or
 - ESA where s/he has been entitled to ESA, or a combination of ESA and Statutory Sick Pay, for at least 28 weeks.
 - a higher pensioner premium or disability premium paid with Income Support, Income-based JSA; or
 - Housing Benefit or rate rebate which includes a Disability Premium or Higher Pensioner Premium; or
- be currently receiving DLA, Attendance Allowance, a mobility supplement or constant Attendance Allowance paid with a war pension or Industrial Injuries Disablement Benefit; or
- have an invalid carriage or similar vehicle; or
- have received for at least 140 days forming one period of incapacity for work (the last of which must have fallen within 56 days of the claim for tax credits):
 - Statutory Sick Pay, occupational sick pay, short term Incapacity Benefit at the lower rate, Income Support because of incapacity, ESA or national insurance credits for a period of 20 weeks because of incapacity, or for limited capability for work; and
 - have a disability at the date of claim for tax credits which is likely to last six months (or the rest of lifetime if terminally ill); and



- have gross earnings which are less than they were before the disability began by at least the greater of 20 per cent or £15 a week; and
- have undertaken training for work for at least one day in the 56 days immediately preceding the claim and:
 - was receiving long term Incapacity Benefit, SDA or higher rate short term Incapacity Benefit or ESA(C) where s/he has been entitled to that; or
 - provided s/he satisfied National Insurance contribution conditions for Contribution-based ESA, a combination of that and Statutory Sick Pay for at least 28 weeks within the 56 days before that training started.

If the claimant and partner both meet any of the disability element conditions, then two disability elements can be paid.

A severe disability element is paid where a claimant or partner receives the highest rate of care component of DLA or the higher rate of Attendance Allowance. A severe disability element will still be paid if the benefits are suspended because a person is in hospital. If a claimant and partner both meet the conditions then two severe disability elements can be included.

The disability and severe disability element of WTC can be backdated for more than three months as long as HMRC is notified with three months of the award of a disability benefit.

The 50 plus element has now stopped and is no longer payable.

A childcare element is paid where certain conditions are satisfied. These are detailed in *Encyclopedia of Social Welfare Rights 2012* (see A.7 Introduction to Tax Credits, sections 1.3.8 and 3.3) plus A.7.2 Tax Credits, Assistance with childcare costs.

A new claim for WTC can be backdated for more than one month where the claimant would only have been entitled to WTC if a disability benefit was awarded. This allows WTC to be paid from an earlier date as long as the WTC claim is made within one month of the disability benefit decision.

3. WORKING OUT ENTITLEMENT FOR 2014/2015

Case example 1

Jane is 29 and a lone parent with one child aged four. She works 25 hours a week. Her current year income is £7,800 which is the same as in 2014/2015. She pays £135 a week to a registered childminder. There is no ill health in the family. Her circumstances are unlikely to change in the current year. She is claiming at the start of the tax year.

Please note that rounding up the daily rate means that the maximum tax credits are slightly more than the annual rate.



Step 1: work out the relevant period

Jane's relevant period is 366 days.

Step 2: calculate maximum tax credits

WTC	
Basic element	£1,961.76
Lone parent element	£2,013
Maximum WTC	£3,974.76
CTC	
Child element	£2,781.60
Family element	£545.34
Maximum CTC	£3,326.94

Step 3: calculate the childcare element

Weekly childcare cost	£135.00
Yearly cost (135x52)	£7,020.00
Childcare element (70% of £7,020)	£4,914

Step 4: calculate income

Current year income (2015/2016) is	£7,800.00
Previous year income (2014/2015) was	£7,800.00
Relevant income (ie previous year income)	£7,800.00

Step 5: calculate the threshold amount

As Jane is entitled to WTC, the threshold amount is	£6,420.00
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Step 6: compare income with threshold

Income	£7,800.00
Threshold amount	<u>£6,420.00</u>
Excess income	£1,380.00



Income exceeds the threshold amount by	£1,380.00
Therefore 41% of £1,380.00 is	£565.80
The reduction figure is	£565.80

Step 7: apply reductions

Reduce maximum WTC by the reduction figure	
Max WTC	£3,974.76
Reduction figure	<u>£565.80</u>
WTC amount remaining	£3,408.96

Step 8: calculate entitlement

WTC amount remaining after reduction	£3,408.96
Plus childcare element (WTC)	£4,914
Plus maximum CTC	£3,326.94
Annual entitlement to tax credits	£11,649.90
Weekly entitlement to tax credits (£11,649.90 ÷ 366) x 7	£222.81

Case example 2

Liz and Mark, both aged 35, are married with one child aged fourteen. Mark works 35 hours per week. Their current income of £18,500 is the same as in 2014/2015. It is unlikely to change in the near future. The claim is made at the start of the tax year. There is no ill health in the family.

Step 1: Work out the relevant period

Liz and Mark's relevant period is 366 days.



Step 2: calculate maximum tax credits

WTC	
Basic element	£1,961.76
Couple element	£2013.00
30 hour element	£812.52
Maximum WTC	£4,787.28
CTC	
Child element	£2,781.60
Family element	£545.34
Maximum CTC	£3,326.94

Step 3: calculate the childcare element

Not applicable as there are no eligible childcare costs.

Step 4: calculate income

Current year income (2015/2016) is	£18,500.00
Previous year income (2014/2015) was	£18,500.00
Relevant income (ie previous year income)	£18,500.00

Step 5: calculate threshold amount

Threshold figure is	£6,420.00
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Step 6: compare income to threshold

Income	£18,500.00
Threshold	<u>£6,420.00</u>
Excess	£12,080.00
Income exceeds applicable amount by	£12,080.00
Therefore 41% of £12,080.00 =	£4,952.80
The reduction figure is:	£4,952.80

Step 7: apply reductions

Reduce maximum WTC by the reduction figure	
Max WTC	£4,787.28
Reduction figure	<u>£4,952.80</u>
Nil with £215.10 still remaining	
Reduce maximum CTC by the income remaining	
Maximum CTC	£3,326.94
Minus income remaining	<u>£165.52</u>
CTC amount remaining after reduction	£3,161.42

Step 8: calculate entitlement

Entitlement to tax credits	£3,161.42
Weekly entitlement to tax credits (£3,161.42 ÷ 366) x 7	£60.46

Case example 3

Mary is a lone parent with two children aged sixteen and seventeen who are still at school. She works 35 hours a week. Her current income is £15,000, an increase of £3,000 from 2014/2015. Her circumstances are unlikely to change this year. She makes a claim for tax credits at the start of the tax year. Her initial claim will be assessed on her previous year's income of £12,000 as her income for 2015/2016 has increased by less than £5,000.



Step 1: Work out the relevant period

Mary's relevant period is 365 days.

Step 2: calculate maximum tax credits

WTC	
Basic element	£1,961.76
Lone parent element	£2013.00
30 hour element	£812.52
Maximum WTC	£4,787.28
CTC	
Child element (16 year old)	£2,781.60
Child element (17 year old)	£2,781.60
Family element	£545.34
Maximum CTC	£6108.54

Step 3: not applicable as there are no eligible childcare costs

Step 4: calculate income

Previous year income (201/2015) is	£12,000
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Step 5: calculate threshold amount

Threshold figure is	£6,420
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Step 6: compare income to threshold

Income	£12,000
Threshold	£6,420
Excess	£5,580
Income exceeds applicable amount by	£5,580
Therefore 41% of £5,580=	£2,287.80
The reduction figure is	£2,287.80



Step 7: apply reductions

Reduce maximum WTC by the reduction figure	
Maximum WTC	£4,787.28
Reduction figure	<u>£2,287.81</u>
Amount of WTC remaining after reduction	£2,499.47

Step 8: calculate entitlement

WTC amount remaining after reduction	£2,499.47
Plus maximum CTC	£6108.54
Entitlement to tax credits	£8,608.01
Weekly entitlement to tax credits (8,608.01 ÷ 366)x7	£164.63

4. USEFUL ADDRESSES

4.1 Her Majesty's Revenue and Customs

Postal correspondence

Tax Credit Office, Preston PR1 4AT

Local enquiry centres

Antrim

12-14 Castle Street, Antrim BT41 4JE

Ballymena

Kilpatrick House, 38-54 High Street, Ballymena BT43 6DR

Banbridge

Bridgewater House, 25 Castlewellan Rd, Banbridge T32 4AX

Belfast

Beaufort House, 31 Wellington Place, Belfast BT1 6BH

Coleraine

Fern House, 1A Adelaide Avenue, Coleraine BT52 1AJ



Craigavon

Marlborough House, Central Way, Craigavon BT64 1AH

Enniskillen

Abbey House, Head Street, Enniskillen BT74 7JL

Lisburn

Moira House, 121 Hillsborough Road, Lisburn BT28 1LA

Derry

Foyle House, Duncreggan Road, Londonderry BT48 0AA

Newry

Downshire House, 22 Merchants Quay, Newry BT35 6HS

Telephone helpline

0845 300 3900

0845 300 3909 (text phone)

0845 302 1429 (Tax Credit Overpayment helpline)

0845 302 1429 (Payment Helpline)

Welfare rights workers priority helpline

0845 300 3946

Website

www.hmrc.gov.uk

4.2 Adjudicator

Adjudicator's office

PO Box 10280

Nottingham

England

NG2 9PF



Telephone

0300 057 1111

Website

www.adjudicatorsoffice.gov.uk

4.3 Ombudsman

Office of the Parliamentary Commissioner for Administration

Millbank Tower, Millbank, London SW1 4QP

Telephone

0345 015 4033

E-mail

By completing the contact form found at www.ombudsman.org.uk/about-us/contact-usWebsite

www.ombudsman.org.uk

4.4 Law Centre (NI)

Belfast office

124 Donegall Street, Belfast BT1 2GY

Advice line: 028 9024 4401; 9.30 am-1.00 pm (Monday to Friday)

Textphone: 028 9023 9938

Western Area office

9 Clarendon Street, Derry BT48 7EP

Advice line: 028 7126 2433; 9.30 am-1.00 pm (Monday to Friday)

Website

www.lawcentreni.org



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