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Information on Tax Credits, Housing/Council Tax Benefits & Passported Benefits

Tax Credits

Tax Credits supplement low and middle incomes, and they are means-tested.

Child Tax Credit (CTC)

CTC may be paid to both working and unemployed lone parents. To be entitled you must be responsible for at least 1 child under the age of 16 (or under 20 if in full-time non-advanced education or training). It comprises the following elements (weekly figures rounded up to nearest pence):

Family:	£545 P/A (£10.50 p/w)
Baby addition:	£545 P/A (£10.50 p/w) (while baby is under one year old)
Child: *	£2300 p/a (£44.17p/w)
Disabled: *	£2715 p/a (£52.08p/w) (child in receipt of DLA)
Severely disabled: *	£1095p/a (£21.00 p/w) (child in receipt of DLA highest care component)

* for each child

Working Tax Credit (WTC) and Childcare Costs

To be eligible for WTC you must be working 16 hours per week or more and have care of at least 1 child. You can apply for help with the cost of childcare if you have a child under 15 years (16 if the child has a disability), and use registered childcare. It is made up of the following elements:

Basic:	£1920 p/a (£36.89p/w)
Lone parent:	£1890 p/a (£36.26 p/w)
30 hour:	£790 p/a (£15.19p/w)
Disability:	£2570 p/a (£49.35 p/w)
Severe disability:	£1095 p/a (£21.00p/w)

Childcare element: up to 80% of qualifying childcare costs up to £175p/w (£140) for one child and £300 (£240) for 2 or more children.

Your Tax Credits last until the end of the tax year, and can be altered if your circumstances change. If you apply after the start of the tax year in April, you will receive a proportion of the annual amount.

Tax Credits are initially based on previous year's income. An increase of up to £25,000 between last year's and this year's income is disregarded when the award is finalised at the end of the tax year. However, if the current year's income is less than the previous year's, claimants may ask for their award to be revised based on the current

year's predicted income. In this case, there is no disregard for subsequent increases that are still below the previous year. If you have asked for a tax credits award to be based on the current year earnings, it is important to keep HM Revenue & Customs (HMRC) informed of any changes and ask that they readjust the award straight away to avoid overpayments.

You must notify HMRC within 1 month if you experience a relationship breakup or a new partner moves in. You must also inform them if you stop using qualifying childcare or your childcare costs go down by more than £10 per week for 4 weeks, your working hours change or the composition of your family changes.

Failure to report changes within 1 month may lead to a penalty of up to £300, therefore any changes should be reported as soon as possible to avoid overpayment, as well as a penalty.

If you become eligible for a new Tax Credit, the award will be increased from the date of change if you inform HMRC within 3 months. If you are making a claim for DLA, inform HMRC of this so if successful, Tax Credits can be backdated to date of claim. Changes reducing your entitlement will always take place from the date of change, so if you do not notify the change immediately you will accumulate an overpayment and may be fined. WTC payments will continue for 4 weeks from the day you cease to work 16 hours per week or more.

Calculating WTC/CTC

To calculate your maximum Tax Credit entitlement you add up your WTC and CTC elements.

If your gross income (before tax and National Insurance Contributions) is less than £6420 or £123.46 per week (threshold) you will receive the maximum WTC/CTC entitlement.

If your income is over the threshold, your entitlement is reduced in the following order: WTC, childcare, CTC individual elements and family element.

Tax Credits are reduced by 39 pence in the pound for every pound that your income exceeds the threshold. The family element of the Child Tax Credit is retained until income exceeds a second threshold (£50,000) and it then tapers at a rate of £1 in every £15.

There are no capital limits but actual income from capital will be taken into account (e.g. interest). However, the first £300 of this is disregarded.

Maintenance is ignored when calculating WTC/CTC. It is also disregarded for Housing and Council Tax Benefits.

Case Study

A lone parent with two children works 35 hours per week. Her gross income is £11,000 per annum. Her childcare costs are £4680 per year (£90 p/w). She receives £20 in child maintenance.

Child Tax Credit

Family element:	£545
Child element: (child 1)	£2300
Child element: (child 2) +	£2300
CTC Total =	£5145

Working Tax Credit

Basic element:	£1920
Lone parent element	£1890
30 hour element	£790
Childcare (80%) +	£3744
WTC Total =	£8344
Maximum Award: £5145+£8344=	£13489

Apply threshold:

Annual income (£11,000) less threshold (£6420)=£4580

Reduction in award: (£4580 x 39%) =£1786.20

Maximum award minus reduction in award: £13489 - £1786.20 = £11702.80

Housing Benefit and Council Tax Benefit

You can claim help with your rent and Council Tax from your local Council if you have less than £16,000 in savings. Claims may have to be made separately.

Housing Benefit Rates

Personal Allowances	
Lone Parent under 18	£51.85
Lone Parent over 18	£65.45
Dependent Children	£57.57

Premiums

Family	£17.40
Family (before 5/4/98)	£22.20
Family (baby addition)	£10.50

There are a number of disability premiums. Please contact Lone Parent Helpline for details.

Calculating Housing and Council Tax Benefit

The lone parent in our case study has a gross income of £11,000 p/a or £211.53 per week, maintenance of £20, Child Benefit of £33.70 and

WTC/CTC of £225.05 p/w. Her rent is £140 p/w and her Council Tax (CT) is £20 p/w (as the only adult in the house she has a 25% discount). She has no savings.

1 Calculate Weekly Rent and Council Tax

Rent	£140
Council Tax	£20

Usually your maximum Housing Benefit will be the amount of rent you pay. In some situations it is lower.

2 Calculate Applicable Amount

Add your personal allowance, dependent children allowances and relevant premium. This is your 'applicable amount'.

Personal Allowance	£65.45
Dependent Child (child 1)	£57.75
Dependent Child (child 2)	£57.75
Family Premium	£17.40
Applicable Amount =	£198.35

3 Calculate Weekly Income

Some things do not count as income: the first £25 of net earnings, child maintenance, relevant childcare costs up to a maximum of £175 p/w for 1 child (£300 p/w for 2 or more children). However Tax Credits (less WTC disregard) count in full.

Earnings (net)	£211.53
Earnings Disregard	- £25.00
WTC Disregard	- £17.10
Relevant childcare costs	- £90.00
WTC/CTC	+ £3225.05
Weekly Income =	£304.48

4 Subtract Applicable Amount from Income

Weekly Income	£304.48
Applicable Amount	- £198.35
Difference =	£106.13

5 Calculate Housing Benefit (HB)

HB is reduced by 65p for every £1 that income exceeds the applicable amount.

65% of the Difference

65% of £106.13 = £68.98 Reduction

Rent - Reduction = HB Paid

£140.00 - £68.98 = £71.02

The lone parent gets £ 71.02 Housing Benefit and has to pay £68.98 of the rent her/himself.

6 Calculate Council Tax Benefit (CTB)

CTB is reduced by 20p for every £1 that your income exceeds the applicable amount. Maximum weekly Council Tax Benefit (Max CTB) is the bill (not including water and sewerage) after any discounts have been subtracted.

20% of Difference

20% of £106.13 = £21.22 Reduction

CT - Reduction =

CTB paid

£20 - £21.22 = No CTB

As the reduction is greater than the actual Council Tax paid, there is no CTB paid.

If the weekly amount of Housing Benefit calculated is less than 50p, then it is not awarded. There is no minimum award of CTB.

Passported Benefits

Health Service benefits (prescriptions, dental treatment, eye tests/glasses, etc.) will be available for anyone who receives: 1) WTC and CTC; or 2) CTC only and works less than 16 hours or doesn't work. In all cases, household income must be less than £15,276 (09/10 rates). The Tax Credit award issued by the HM Revenue & Customs indicates entitlement to Health Benefits. For more information on changes to prescription charges see Factsheet 4: Going Back To Work.