WTC2 - Child Tax Credit and Working Tax Credit - A Guide

Contents

There are two tax credits: Child Tax Credit and Working Tax Credit. This leaflet explains in detail what they are, who is eligible and how to claim.

Introduction

If you have children or are working as an employee or a self-employed person (whether or not you also have children), you should find out more about them. Comprehensive guidance notes are available with the claim form.

Child Tax Credit is the main way that families get money for their children, and young persons aged from 16 but under 20 years old in full-time non-advanced education or approved, unwaged training.

More information about Child Tax Credit is on page 4 and Working Tax Credit on page 6

The amount you get is based on your income. You can claim whether or not you are in work. All families with children, with an income up to £58,000 a year (or up to £66,000 a year if there is a child under one year old), can claim in the same way.

Working Tax Credit supports working people, topping up earnings to help make work pay.

Child Benefit is not affected by Child Tax Credit and Working Tax Credit.

Who is eligible?

To qualify for tax credits, you must be aged 16 or over and usually live in the United Kingdom (UK) - that is, England, Scotland, Wales and Northern Ireland. The UK does not include the Channel Islands or the Isle of Man. Short absences of up to eight or, in some cases 12 weeks will not affect your eligibility.

For new claims to Child Tax Credit, made on or after 1 May 2004, you must also have a right to reside in the UK, either under UK law or EC law. More information about these rules can be found online at: www.hmrc.gov.uk/taxcredits/

Phone the Helpline if you need any more help.

Some people may be eligible even if they do not live in the UK. Phone the Helpline for more information if you live outside the UK, but you, or your partner if you have one:

- are a national of another country in the European Economic Area (EEA - see below) or of Switzerland and you work in the UK
- are a Crown servant posted overseas or their accompanying partner, or

- are a national of a country in the EEA, including the UK, or of Switzerland, living in the EEA or Switzerland and you receive a UK contributions-based Jobseeker's Allowance
- The EEA consists of the following countries

Austria	Greece	Netherlands
Belgium	Hungary	Norway
Bulgaria	Iceland	Poland
Cyprus	Ireland	Portugal
Czech Republic	Italy	Romania
Denmark	Latvia	Slovakia
Estonia	Liechtenstein	Slovenia
Finland	Lithuania	Spain
France	Luxembourg	Sweden
Germany	Malta	United Kingdom

You may not be entitled to tax credits if you are subject to immigration control. You are subject to immigration control if the Home Office says your leave to enter or remain in the UK is on the condition that you do not have recourse to public funds, or if you require leave to enter or remain in the UK but do not have it. More information about these rules can be found online at www.hmrc.gov.uk/taxcredits/. Phone the Helpline if you need any more help.

If you are single (or permanently separated), you should make a claim based on your individual circumstances.

If you are:

- part of a married couple living together and not permanently separated,
- a man and woman living together as if you are married
- part of a civil partnership and not permanently separated
- a couple living together as if in a civil partnership

you must claim together, based on your joint circumstances.

How are tax credits paid?

Tax Credits are paid direct into a bank or building society account.

If you already have an account, give the details on the claim form. If you do not have an account, any bank, building society or the Post Office can advise you on the accounts they offer. If you find that you are unable to open an account, please contact the Helpline.

Child Tax Credit

What is Child Tax Credit?

Child Tax Credit is a payment to support families with children. You can claim it if you, or your partner, are responsible for at least one child or young person who usually lives with you.

If they also live with another family for part of the time, you and that other family must decide jointly who wishes to claim for that child. If you do not agree that the other person should receive tax credits for the child we will have to decide which of you has the main responsibility. We will then pay the tax credits for the child to the person who has main responsibility.

Deciding who has the main responsibility depends on the facts. The number of days the child or young person lives with you is important, but this is not the only factor to consider. If you are unsure what to look at, you should ring the Helpline for assistance.

If another family makes a claim for the same child or young person, you may be asked to provide details of why you think you have the main responsibility for him or her. We will consider these, together with the details provided by the other claimant, and decide who is entitled to the tax credit for that child or young person.

If you cannot agree who has the main responsibility for the child or young person, we will make our own decision.

If you do not agree with our decision, you have the right to appeal. Our leaflet *What to do if you think our decision is wrong (WTC/AP)* contains more information on this. You can get a copy by phoning the Helpline.

You do not have to be working to claim Child Tax Credit.

Child Tax Credits provides support for:

- a child until 1 September following his or her 16th birthday unless they are not continuing in full time, non advanced education or approved training and they start work of 24 or more hours a week during this period
- a young person aged from 16 but under 20 years old in full-time non-advanced education, up to and including for example 'A' levels, NVQ level 3 or Scottish Highers, so long as that education is not provided by an employer or any office they hold
- on a course of approved training so long as that course is not provided by a contract of employment
- up to 20 weeks for a young person aged 16 or 17 who has left full-time education or training, and does not work 24 hours or more a week and has registered with the Careers Service or

Connexions Service (in England, Scotland and Wales), or the Department for Employment and Learning (in Northern Ireland)

provided that child or young person:

- is not claiming benefits (such as Income Support or Incapacity Benefit) or tax credits in his or her own right, or
- is not serving a custodial sentence of more than four months imposed by a court, or
- has not been placed with you for fostering or adoption in cases where the local authority is paying you for the cost of caring for that young person under section 23 Children Act 1989 (in Scotland, section 26 Children (Scotland) Act 1995 and in Northern Ireland, Article 27 Children (Northern Ireland) Order 1995).

How is Child Tax Credit made up?

Child Tax Credit contains several elements. The maximum value of each is listed below but the amount you get depends on your income.

Element	Annual amount 2009-2010 (£)
Family element (one per family)	545
Family element, baby addition (paid to families with a child under one year old on top of family element)	545
Child element (including those under one year old, paid for each child)	2,235
Disabled child element (paid in addition to the child element)	2,670
Severely disabled child element (paid in addition to the child and disability elements)	1,075

You may get a disabled child element for each child or young person you are responsible for if you receive Disability Living Allowance (DLA) for him or her or the child or young person is registered blind or has been taken off the blind register in the 28 weeks before your date of claim.

You may get a severely disabled child element for each child or young person you are responsible for if you receive DLA (Highest Rate Care Component) for them.

How much can I get?

Child Tax Credit will be paid in addition to Child Benefit. The table below provides a guide to how much you could receive for the tax year 2009-2010 (that is, 6 April 2009 to 5 April 2010) if you do not qualify for Working Tax Credit.

If your child is under one year old or has a disability, then the amount you can receive will be higher.

Child Tax Credit only (£)

Annual Income (£)	One Child	Two Children	Three Children
Not working	2,780	5,020	7,255
5,000	2,780	5,020	7,255
8,000	2,780	5,020	7,255
10,000	2,780	5,020	7,255
15,000	2,780	5,020	7,255
20,000	1,240	3,475	5,710
25,000	545	1,525	3,765
30,000	545	545	1,815
35,000	545	545	545
40,000	545	545	545
45,000	545	545	545
50,000	545	545	545
55,000	210	210	210
60,000	-	-	-

Note: If you have a child under one year old or with a disability, you may be entitled to more.

Using this table, if your income is £15,000 a year and you have two children but are not eligible for Working Tax Credit, you could receive an annual Child Tax Credit award of £5,020, equivalent to £96.32 a week.

Child Tax Credit will be paid directly to the main carer for all the children in the family. If you are a single parent, this will be paid to you directly. If you are part of a couple, you will need to tell us which of you is the main carer for the children. You can choose whether to receive payments weekly or every four weeks.

Payments will normally be made into a bank or building society account.

Working Tax Credit

What is Working Tax Credit?

Working Tax Credit is a payment to top up the earnings of low paid working people (whether employed or self-employed), including those who do not have children.

Working Tax Credit helps to make work pay for low income workers, and is paid directly to the person who is working.

The 'childcare element' of Working Tax Credit is paid directly to the main carer of the child or children along with Child Tax Credit.

How is Working Tax Credit made up?

Working Tax Credit contains several elements, including additional amounts for:

- working people with a disability
- people with a severe disability, and
- the costs of ‘registered’ or ‘approved’ childcare.

The maximum value of each element is listed below, but the amount you get depends on your income.

Element	**Annual amount 2009-2010 (£)**
Basic element (one per single claimant or couple)	1,890
Couple's# and lone parent elements (paid in addition to basic element but only one couple's element allowed per couple)	1,860
30 hour element ** (paid in addition to other elements but only one 30 hour element allowed per couple)	775
Disability element (paid in addition to other elements)*	2,530
Severe disability element (paid in addition to other elements)*	1,075
50+ return to work element (16-29 hours per week) (paid in addition to other elements)* #	1,300
50+ return to work element (30 or more hours per week) (paid in addition to other elements)*	1,935
Childcare element, maximum eligible cost for families with childcare for one child	£175 per week
Childcare element, maximum eligible cost for families with childcare for two or more children	£300 per week
Percentage of eligible childcare costs covered	80%

*****If the claim is a joint claim and you are both entitled to any of these elements, the award will include two elements per couple. However, the 50+ return to work elements are mutually exclusive. Where an individual works enough hours to qualify for the 50+ 30 hour element, he or she cannot also receive the 50+ 16-29 hours element.

If you qualify for the 50+ 16-29 hours element, you will not get the couple's element unless you have responsibility for a child or you qualify for the disability element of Working Tax Credit.

** The 30 hour element is available to those working 30 hours or more per week.

Working hours

You need usually to be working a minimum number of hours a week to claim Working Tax Credit.

If you are aged 16 or over and either:

- you or your partner are responsible for a child or young person, **or**
- you have a disability which puts you at a disadvantage in getting a job **and** you satisfy either the 'qualifying benefit' test or the special 'fast-track' rules to qualify for a disability element.

See pages 12 - 16

then you must work at least 16 hours a week.

If you are part of a couple with children, you are eligible for the 30 hour element if you **jointly** work at least 30 hours a week, provided one of you works at least 16 hours. Couples without children cannot add their hours together to qualify for the 30 hour element.

If you or your partner are aged 50 or over and are returning to work after claiming one or more of the qualifying out-of-work benefits listed below for at least the previous six months, you must work at least 16 hours a week.

The qualifying out-of-work benefits are:

- Income Support
- Jobseeker's Allowance
- Incapacity Benefit
- Employment and Support Allowance
- Severe Disablement Allowance
- State Pension Credit
- A training allowance paid while you were undertaking government-run training such as Work-based Learning for Adults or Training for Work.

You can also qualify for Working Tax Credit if:

- you have been receiving a combination of these benefits for six months or more, or
- you have been awarded National Insurance credits for six months or more.

If you received Carer's Allowance, Bereavement Allowance or Widowed Parent's Allowance before making a successful claim for one of the benefits listed above, the time that you received any of these allowances will count towards the six month period.

But it is only after qualifying for one (or more) of the out-of-work benefits that the receipt of any of these allowances can form part of the six month qualifying period.

If you do not have children and you do not qualify for a disability element (or an aged 50+ element), you must be aged 25 or over **and** work at least 30 hours a week to qualify for Working Tax Credit.

In all cases, you have to be:

- working (whether in employment or self-employment) when you make your claim, or
- starting paid work within seven days of making your claim.

You must expect the work:

- to continue for at least four weeks after you have made the claim, and
- to be paid, so, for example, working as a volunteer does not normally count.

You can still claim Working Tax Credit if you work at a school or college and don't work during school or college holidays.

Changes to your working hours

You must tell us within one month if:

- your working hours drop to less than 16 hours a week, or
- you work at least 30 hours a week and your hours drop to less than 30 - for couples with children, your joint working hours count towards the 30 hours, or
- you stop work, or
- your employer lays you off.

If your employer lays you off and tells you it is temporary you are treated as though you are still working for up to four weeks from the date your employer lays you off. If you do not go back to work after that, you are treated as if you have stopped work.

You will get Working Tax Credit for four weeks from the change if:

- your working hours drop to less than 16 hours a week, or
- you stop work completely.

You can only get Working Tax Credit for up to eight weeks after your employer lays you off.

Example 1
John Smith is laid off for four weeks on 8 January 2009. His employer tells him that he can expect to go back to work on 5 February 2009.

John calls the Tax Credit Helpline to tell them about this. He also tells them when he expects to go back to work.

On 5 February 2009, he goes in to work. His employer does not know if John will be able to go back to work at all. John calls the Tax Credit Helpline to tell them the lay off is now indefinite. He will get Working Tax Credit up to 4 March 2009.

If your employer lays you off but cannot tell you if you will go back to work or you lose your job.
If during the first four weeks you are laid off, your employer says:

- you are now laid off indefinitely, or
- you have lost your job

you will be treated as if you have stopped work from the day they tell you. You will still get Working Tax Credit for four more weeks from that date.

Example 2
Anne Jones is laid off on 8 January 2009. Her employer tells her that she can expect to go back to work on 1 February 2009. Anne calls the Tax Credit Helpline and tells them the lay off is temporary.

On 26 January, her employer tells her that they do not know if she will be able to go back to work at all. Anne calls the Tax Credit Helpline to tell them the lay off is now indefinite. Anne is treated as though she has stopped work. She will get Working Tax Credit up to 23 February 2009 (four weeks from 26 January 2009).

Example 3
On 8 January 2009, Anita Roberts is told that her employer has to lay her off indefinitely. Her employer does not know if she will be able to go back to work at all. Anita calls the Tax Credit Helpline to tell them she has been laid off indefinitely. Anita will get Working Tax Credit up to 5 February 2009.

Limitations to entitlement

Entitlement to Working Tax Credit is deliberately wide ranging but some restrictions do apply. Working Tax Credit may not be available to those who are:

- engaged by a charitable organisation, or are volunteers, and receive only expenses payments
- engaged in caring for a person who is not a member of their household but is living temporarily with them and the only income they receive is disregarded from the calculation of income for tax credits purposes

- engaged on a scheme for which a training allowance is being paid unless the training allowance is taxable as part of their employed or self-employed income
- participating in the Intensive Activity period or Preparation for Employment Programme, unless the payments they receive are taxable as part of their employed or self-employed income
- engaged in an activity where a sports award has been made
- participating in an Employment Zone programme
- serving a custodial sentence
- a student and any work is done whilst studying for a degree or other qualification as this does not count as work for tax credit purposes. Any grant or loan that is received is for maintenance and is not paid in return for work done on the course
- a student nurse as the NHS Bursary and other grants or loans received are not payments for work done on the course.

Maternity leave

Most women receive Statutory Maternity Pay (SMP) or Maternity Allowance (MA) for:

- the 26 weeks of ordinary maternity leave and
- the first 13 weeks of any additional maternity leave.

This can be followed by up to 13 weeks of unpaid leave.

For the 26 weeks of ordinary maternity leave, and for the first 13 weeks of additional maternity leave, that is, for a total of 39 weeks, whether or not you are receiving SMP or MA, you are still treated as being in work and able to claim Working Tax Credit, **provided** you usually worked at least 16 or 30 hours a week (whichever applied) immediately before going on maternity leave. This also applies if you are self-employed. If you are a first-time mother, you can claim Working Tax Credit from the date of birth of your first child, provided you usually worked at least 16 hours a week immediately before your maternity leave began.

When the 39 weeks (this includes 26 weeks of ordinary maternity leave and 13 weeks additional maternity leave) are over, you continue to be eligible for Working Tax Credit if you begin work again at that point. Any further additional (unpaid) maternity leave does not count as being in work and you are not eligible for Working Tax Credit for this period. You must tell us within one month if you do not go back to work after the 39 weeks.

Adoption leave or paternity leave

If you adopt a child you may be eligible for Statutory Adoption Pay (SAP) for:

- the first 26 weeks of ordinary adoption leave, and
- the first 13 weeks of any additional adoption leave.

New fathers may be eligible for two weeks paternity leave and be paid Statutory Paternity Pay (SPP) for those two weeks.

If you are on ordinary adoption leave or paternity leave, or on the first 13 weeks of any additional adoption leave, whether or not you are receiving SAP or SPP, you will still count as being in work and able to claim Working Tax Credit, **provided** you usually worked at least 16 or 30 hours a week (whichever applied) immediately before going on leave. This also applies if you are self-employed. If you are a first-time parent, you can claim Working Tax Credit from the date of placement for adoption or birth of your first child, provided you usually worked at least 16 hours a week immediately before your adoption or paternity leave began.

Sick Leave

If you are off work for up to 28 weeks because of illness and are receiving either:

- Statutory Sick Pay (SSP)
- short-term Incapacity Benefit at the lower rate
- an Employment and Support Allowance
- Income Support paid on the grounds of incapacity for work, or
- National Insurance credits on the grounds of incapacity for work

then you will still be able to claim Working Tax Credit, **provided** you worked at least 16 or 30 hours a week (whichever applied) immediately before you started to receive any of these benefits. This applies to both employees and the self-employed.

The disability element

You may receive the disability element of Working Tax Credit if you usually work at least 16 hours a week and you have a physical or mental disability which puts you at a disadvantage in getting a job and you satisfy either the 'qualifying benefit' test or the special 'fast-track' rules.

If you are claiming as a couple and your partner is also working for 16 hours or more a week, and is entitled to the disability element, you may receive two disability elements.

What is a disability which puts someone at a disadvantage in getting a job?

Details of the disabilities which put someone at a disadvantage in getting a job are set out in the notes that accompany the tax credits claim form. They relate to a wide range of things, for example:

- seeing
- hearing
- communicating with people
- getting around
- using your hands
- reaching with your arms
- mental disabilities, and
- exhaustion and pain.

We may ask you to give us the name of a healthcare professional who can confirm the extent to which your disability affects you, for example, a doctor, a district or community nurse, or an occupational therapist.

(A)

What is the 'qualifying benefit' test?

To pass the 'qualifying benefit' test, you must be receiving one of the following benefits:

- Disability Living Allowance
- Attendance Allowance
- Industrial Injuries Disablement Benefit (with Constant Attendance Allowance for you)
- War Disablement Pension (with Constant Attendance Allowance or Mobility Supplement for you), or
- a vehicle provided under the Invalid Vehicle Scheme.

(B)

Alternatively, you must have received one of the following benefits in the last six months:

- Employment and Support Allowance (ESA) where you have received this allowance for 28 weeks or more or you have received Statutory Sick Pay (SSP) followed by ESA for a combined period of 28 weeks or more (See Note1 below)
- Incapacity Benefit at the short-term higher rate or the long-term rate
- income-based Jobseeker's Allowance*
- Income Support*
- Severe Disablement Allowance
- Council Tax Benefit*
- Housing Benefit*.

*This must include a Disability Premium or a Higher Pensioner Premium for you.

Note 1: The 28 weeks does not need to be a single continuous period. You can add together:

- Any periods that you received ESA, as long as they were no more than 12 weeks apart
- Any periods that you received SSP, as long as they were no more than 8 weeks apart
- Any periods that you received SSP with periods that you received ESA, as long as they were no more than 12 weeks apart.

If you give up Incapacity Benefit paid at the short-term higher rate or the long-term rate or Severe Disablement Allowance to go to work and you qualify for a disability element of Working Tax Credit, you can return to the same rate of Incapacity Benefit or Severe Disablement Allowance if:

- you give up your job while qualifying for a disability element of Working Tax Credit, and
- your first day of incapacity immediately follows your last day of work, and
- this falls within two years of when you last received Incapacity Benefit or Severe Disablement Allowance.

(C)

You can also satisfy the 'qualifying benefit' test if you have been 'training for work' in the last eight weeks and you started training for work within eight weeks of receiving either Incapacity Benefit at the short-term higher rate or the long-term rate contribution based ESA for 28 weeks or more, Statutory Sick Pay (SSP) followed by contribution based ESA for a combined period of 28 weeks or more (see Note 2 below) or Severe Disablement Allowance.

Training for work means attending government-run training such as that provided by the New Deal, Work Based Learning for Adults (Training for Work in Scotland) or a course that you attended for 16 hours or more a week to learn an occupational or vocational skill.

Note 2: The 28 weeks does not need to be a single continuous period. You can add together:

- Any periods that you received contribution based ESA, as long as they were no more than 12 weeks apart
- Any periods that you received SSP, as long as they were no more than 8 weeks apart
- Any periods that you received SSP with periods that you received contribution based ESA, as long as they were no more than 12 weeks apart and you met the contribution conditions for contribution based ESA on the days that you received SSP.

If you are making a second, or further, claim for the disability element of Working Tax Credit and you were entitled to the disability element of Working Tax Credit for at least one day in the last eight weeks on the basis of satisfying the 'qualifying benefit' test by meeting (B) or (C) above, you are treated as still satisfying the 'qualifying benefit' test.

What are the 'fast-track' rules?

The 'fast-track' rules help you if you are finding it hard to stay in work because of a disability. If your disability means that, after a period of sickness, you have to change to work with lower pay or reduce your hours in your current job, the fast-track allows you to qualify for the disability element earlier than under the 'qualifying benefit' test. The same applies if you are self-employed.

To qualify for the disability element of Working Tax Credit via the 'fast-track' rules, you must have been getting one or more of the following for 20 weeks or more, provided that the last day of receipt was in the last eight weeks:

- Statutory Sick Pay
- Occupational Sick Pay
- Incapacity Benefit at the short-term lower rate
- Income Support paid because of incapacity for work.
- National Insurance credits awarded because of incapacity for work.

The 20 weeks does not need to be a single continuous period. It can be made up of any time that you received the benefits or National Insurance credits which are separated by eight weeks or less. These times may be 'linked', that is, added together to see whether you satisfy the 20 week condition.

You can also qualify if you have been getting one or more of the following for 20 weeks or more, provided that the last day of receipt was in the last eight weeks:

- Employment and Support Allowance
- National Insurance credits awarded on the grounds of limited capability for work.

The 20 weeks does not need to be a single continuous period. It can be made up of any time that you received the benefit or national Insurance Credits which are separated by twelve weeks or less. These times may be 'linked', that is, added together to see whether you satisfy the 20 week condition.

You must have a disability that puts you at a disadvantage in getting a job and is likely to last for at least six months or for the rest of your life. In addition, your gross earnings (before tax and National Insurance contributions are deducted) must be at least 20% less than they were before you had the disability, with a minimum reduction of £15 a week.

If you are making a second, or further, claim for the disability element of Working Tax Credit and you were entitled to the disability of Working Tax Credit for at least one day in the last eight weeks on the basis of satisfying the ‘fast-track’ rules, you are treated as still satisfying the ‘fast-track’ rules.

The severe disability element

If you or your partner (if you are claiming as a couple) get Disability Living Allowance (Highest Rate Care Component) or Attendance Allowance (Higher Rate), you can get the severe disability element.

You do not have to be working to qualify for the severe disability element as long as your partner does. If you both qualify, you will get two severe disability elements.

Help with the costs of childcare

You may be able to get more Working Tax Credit to help with the cost of 'registered' or 'approved' childcare. This is the childcare element of Working Tax Credit. The childcare element can help with up to 80% of your childcare costs up to a maximum cost of £175 a week for one child and £300 a week for two or more children. This means that the childcare element is worth up to an extra:

- £140 a week (£175 x 80%) for families with one child, and
- £240 a week (£300 x 80%) for families with two or more children.

The amount you receive will depend on your income and will be paid directly to the main carer.

To claim the childcare element you must be over 16 **and:**

- if you are a lone parent, you must work 16 hours a week or more, or
- if you are in a couple
    - both of you must work 16 hours a week or more, or
    - one partner must work 16 hours a week or more **and** the other partner must be
        - incapacitated, or
        - an in-patient in hospital, or
        - in prison (whether serving a custodial sentence or remanded in custody awaiting trial or sentence).

You will be treated as incapacitated or having limited capability for work if you receive:

- Disability Living Allowance
- Attendance Allowance
- Severe Disablement Allowance
- Incapacity Benefit at the short-term higher rate or long-term rate
- contributory Employment and Support Allowance (ESA) if you have received
        - this allowance for 28 weeks or more or
        - Statutory Sick Pay (SSP) followed by contributory ESA for a period of 28 weeks or more
- Industrial Injuries Disablement Benefit (with Constant Attendance Allowance for you)

- War Disablement Pension (with Constant Attendance Allowance for you)
- Council Tax Benefit or Housing Benefit with a Disability Premium or Higher Pensioner Premium for you, or
- a vehicle under the Invalid Vehicle Scheme.

You can claim the childcare element for any child up to:

- the age of 15 (until the Saturday following 1 September after his or her 15th birthday, or
- the age of 16 (until the Saturday following 1 September after his or her 16th birthday) if the child is registered or has been taken off the blind register in the 28 weeks before your claim, or you receive Disability Living Allowance for the child.

If you are on paid maternity, paid adoption or paternity leave and are still treated as being in work, you **can** claim the costs of childcare for the child you have taken leave to look after, as well as claim the costs of childcare for any other children in the family. This will enable you to settle a new baby or child into childcare before returning to work.

You can claim Working Tax Credit, including the childcare element from the birth or adoption of the child, as long as you usually worked at least 16 hours a week before the maternity, adoption or paternity leave began.

What do you mean by 'registered' or 'approved' childcare?

The childcare you use must be provided by one of the following:

- A childcare provider 'approved' under a Ministry of Defence accreditation scheme abroad.
- An approved foster carer (the care must be for a child who is not a foster carer's foster child). After 18 July 2009, in England, the foster carer must also be registered with Ofsted.

In England only:

- a childcare provider 'registered' by Ofsted
- out-of-school hours childcare or supervised activity based childcare, provided by a school on the school premises, or by a Local Education Authority or by a childcare provider 'registered' by Ofsted
- childcare provided to a child aged between 3 and 4 years by a school under the direction of the school's governing body or equivalent body
  - on the school premise or
  - on the premises that may be inspected as part of an inspection of the school by the Chief Inspector

- out-of-school-hours childcare or supervised activity-based childcare provided to a child aged between 5 and 15 years (or 16 if disabled) by a school under the direction of the school's governing body or equivalent body on the school premises or on premises that may be inspected as part of the inspection of the school by the Chief Inspector

- until 18 July 2009 a person 'approved' under the Childcare Approval Scheme providing childcare in the child's home or in other domestic premises (after 18 July 2009 people approved under this scheme won't count as registered or approved unless they have registered with Ofsted)
- a domiciliary worker or nurse from an agency 'registered' under the Domiciliary Care Agencies Regulations 2002 providing childcare in the child's home.

In Wales only:

- a childcare provider 'registered' by the National Assembly for Wales through the Care and Social Services Inspectorate for Wales
- out-of-school-hours childcare, provided by a school on the school premises, or by a Local Education Authority
- a person 'approved' under the Approval of Child Care Providers (Wales) 2007 Scheme providing childcare in the child's home or if several children are being looked after, in one of the children's homes
- a domiciliary worker or nurse from an agency 'registered' under the Domiciliary Care Agencies (Wales) Regulations 2004 providing childcare in the child's home.

In Scotland only:

- a childcare provider 'registered' by the Scottish Commission for the Regulation of Care
- out-of-school-hours childcare clubs 'registered' by the Scottish Commission for the Regulation of Care
- childcare provided in the child's home by, or introduced through childcare agencies, sitter services and nanny agencies which are required to be 'registered'.

In Northern Ireland only:

- childcare 'registered' by the Health and Social Services Trust
- out-of-school-hours childcare, provided by a school on the school premises, or by an Education and Library Board or 'registered' by the Health and Social Services Trust
- a person 'approved' under the Tax Credits (Approval of Home Child care Providers) Scheme (Northern Ireland) 2006 providing childcare in the child's home.

Change in the law on childcare 'approved' by accredited Quality Assurance schemes in England.

From 1 October 2007, childcare or over seven clubs 'approved' by one of the following accredited childcare Quality Assurance schemes in England, **no longer qualifies** you for the childcare element of Working Tax Credit:

- Aiming High
- Flying High
- For one child and all children
- Growing in Quality
- Merits of Quality Play
- Norfolk Quality Kitemark
- Quality for All
- Quality in Play
- Star Quality Assurance.

If you use childcare or an over seven club approved by one of these schemes, or any other Quality Assurance scheme you **must check** that your childcare or club has '**registered' with Ofsted.**

If they are not 'registered' with Ofsted, and you continue to use their services, you must let us know immediately to stop being overpaid tax credits, which you will have to pay back.

You can only get the childcare element if you used 'registered' or 'approved' childcare. If you make alternative childcare arrangements and change your provider, you must let us know.

Childcare provided by a relative

Childcare will not be eligible care for help within the Working Tax Credit childcare element if it is provided by:

- a relative of a child caring for that child in the child's home even if the relative is 'registered' or 'approved', or
- a foster parent in respect of a child whom he or she is fostering
- a childcarer 'approved' under the
  - Childcare Approval Scheme in England, or
  - Approval of Child Care Provider in Wales, or
  - Registration of the Child Care Providers Scheme in Northern Ireland

caring for a child, away from the child's home and the care is solely for a child to whom the provider is related.

Relative means a:

- parent
- grandparent
- aunt or uncle
- brother or sister

whether by blood, half-blood, marriage, civil partnership or affinity. Affinity means a person with a strong-relationship to the child, for example someone in a parental position regarding their partner's children, and includes step parents.

If you have any questions about the meaning of 'relative', please phone the Tax Credits Helpline.

You cannot claim the costs of childcare if it is not ‘registered’ or ‘approved’. Your provider should be able to tell you whether or not they are ‘registered’ or ‘approved’. Some providers have to renew their registration each year. Ask to see their registration or approval certificate to check that it is still valid.

In order to claim the childcare element you must work out your average weekly childcare costs.

For more information about how to calculate these costs, read our leaflet *Help with the costs of childcare. Information for parents and childcare providers (WTC5)*.

How much Working Tax Credit can I get?

Working Tax Credit is paid in addition to any Child Tax Credit you may be entitled to. Some people will be paid both Child Tax Credit and Working Tax Credit.

The amount of your Working Tax Credit award is based on your circumstances (for example, how many hours you work or whether you are disabled) and your income. The tables below provide a guide to how much you could receive for the tax year 2009-2010.

Working Tax Credit, for those without children **(£)**

Annual Income (£)	**Single person aged 25 or over working 30 hours or more a week**	**Couple (working adults aged 25 or over) working 30 hours or more a week**
8,939[1]	1,685	3,545
10,000	1,270	3,130
11,000	880	2,740
12,000	490	2,350
13,000	-	1,960
14,000	-	1,570
15,000	-	1,180
16,000	-	790
17,000	-	400
18,000	-	-

[1] Someone aged 25 or over, working 30 hours a week on National Minimum Wage would earn £8,939 a year.

The table below shows how much money you could get for the 2009-2010 tax year if you are in work and responsible for at least one child or young person.

Child Tax Credit and Working Tax Credit

Annual Income (£)	One Child	Two Children	Three Children
5,000[1]	6,535	8,770	11,010
8,939[2]	6,330	8,565	10,805
10,000	5,915	8,155	10,390
15,000	3,965	6,205	8,440
20,000	2,015	4,255	6,490
25,000	545	2,305	4,540
30,000	545	545	2,590
35,000	545	545	545
40,000	545	545	545
45,000	545	545	545
50,000	545	545	545
55,000	210	210	210
60,000	-	-	-

[1]Those with incomes of £5,000 a year are assumed to work part-time (working between 16 and 30 hours a week).

[2]In families with an income of £8,939 a year or more, at least one adult is assumed to be working 30 or more hours a week (consistent with a minimum wage of £5.73 for those aged 22 and older).

Note: If you have a child under one year old, or with a disability you may be entitled to more.

Using these tables, for example, if you are claiming as a lone parent or a couple with two children and working 30 hours or more a week, with an income of £10,000 a year, you could receive an annual tax credit award of £8,155.

The maximum amounts may be higher if you are entitled to the disability elements of Working Tax Credit.

Income and capital

The amount of tax credits you will receive depends on your circumstances, for example:

- the number and ages of your children
- the number of hours you work each week
- whether you are disabled, and
- how much you pay for registered childcare.

It also depends on the level of your income. If you are part of a couple, it depends on your joint income.

As Child Tax Credit and Working Tax Credit are annual tax credits, we will look at your income for a tax year to work out your award, usually the last complete tax year before the year of the tax credits claim.

What income will I have to report in my claim?

Broadly, you will have to report in the tax credits claim form income which is taken into account for income tax purposes. But there are important exceptions to this general rule and some are outlined below.

The Tax Credits Helpline will be able to give you more information about what types of income count for tax credit purposes.

We take into account the gross amount of your income, that is, your income before tax and National Insurance contributions have been taken off. Similarly, if you make contributions from your earnings to buy shares in your employer's company under a Share Incentive Plan (SIP), then those contributions must be added back to your gross pay.

However, contributions to any HM Revenue & Customs registered pension scheme (such as a personal pension plan or retirement annuity) and payments under the Gift Aid scheme should be deducted when you work out your income for a tax credit claim. If you made personal pension or retirement annuity contributions, Gift Aid payments or a trading loss, please phone the Helpline for a working sheet (TC825) to help you to work out the income to enter in your tax credits claim.

You should not normally deduct any contributions to an occupational pension scheme or payments under a payroll giving or PAYE scheme as your employer will have already deducted these payments from your gross pay.

We take the following types of income into account when we work out how much tax credits to pay:

- Salary and wages, including commission, bonuses, tips, gratuities, profit-related pay, holiday pay, statutory sick pay

(SSP) and some benefits in kind which may be provided by your employer (for example, car and car fuel, allowances for the use of your own car on business, vouchers and credit tokens). Although statutory maternity pay (SMP), statutory paternity pay (SPP) and statutory adoption pay (SAP) are taxable, you should take off up to £100 for each week of payment from your income for tax credit purposes. (If you only received £80 SSP in any week, you should only deduct £80 from your income.) You should include any earnings from employment outside the UK

- Taxable profits from self-employment, including any from outside the UK
- Taxable social security benefits, for example, Carer's Allowance (previously called Invalid Care Allowance), contributions based Jobseeker's Allowance, contributions related Employment & Support Allowance and Incapacity Benefit paid after the first 28 weeks of incapacity (at the short-term higher and long-term rates, including any Child Dependency Increases paid with these benefits) but **not** benefits which are **not** taxable, such as, Child Benefit, Attendance Allowance, Disability Living Allowance, Housing Benefit or Council Tax Benefit, income based Jobseeker's Allowance income related Employment and Support Allowance
- State retirement pensions (including Widowed Parent's Allowance, Widowed Mother's Allowance, Widow's Pension and Industrial Death Benefit) and occupational or personal pensions - but **not** war pensions, whether paid on grounds of wounds or disability or paid to widows
- Most income from savings and investments (for instance, interest from bank and building society accounts, dividends from UK companies, payments from trusts or the estate of a deceased person in administration) - but **not** income from certain tax-exempt investments, such as, Individual Savings Accounts (ISAs), Personal Equity Plans (PEPs) or non-taxable National Savings products
- Rental income from property - but **not** income which is exempt from income tax under the rent-a-room scheme (briefly, if you let furnished accommodation in your own home for up to £4,250 a year)
- Foreign income, for example, from investments or property overseas and social security payments from overseas governments, before any overseas tax was taken off but deducting any bank charges or commission when converting foreign currency to pounds. We want to know about **all** foreign income, whether or not it was received and taxed in the UK, unless you were unable to send the income to the UK because of exchange controls in the country of origin
- The dependant's grant paid to students with a spouse or unmarried partner or a dependent adult
- Miscellaneous income such as copyright royalties paid to someone who is not a professional author or composer, which is

taxable under Part 5 of the Income Tax (Trading and Other Income) Act 2005.

Apart from income from employment, self-employment, taxable social security benefits, student dependant's grant and miscellaneous income, you only need to report other income if it is more than £300 a year in total. If it is, you only need to enter the amount over £300 in the tax credits claim form. If you make a claim as a couple, the £300 limit applies to your **joint** income, not to each of you separately.

What about capital?

We will not normally take capital (that is, deposits in current and savings accounts at banks and building societies, most lump sum payments and the value of property, shares and other investments) into account when we work out your entitlement to tax credits.

However, in some cases where the income tax rules treat capital as income and tax it as such, you will be expected to include the taxable amount as income in your tax credit claim. This can happen if, for example, you hold shares in a UK company and the company gives you a stock dividend (new shares) instead of a cash dividend. This is part of what we call 'notional income'.

What does 'notional income' mean?

Besides capital that is treated as income under the income tax rules, notional income also includes income that you can be treated as having which you may not in fact have. This includes:

- trust income payable to one person but which the income tax rules treat tax as the income of another person - the tax credit rules also treat the income as belonging to that other person (for example, investment income of a minor child where trust funds have been provided by a parent and the amount exceeds £100)
- income you may have deprived yourself of for the purpose of getting a tax credit or more tax credit
- income that would be available to you if you applied for it, for example a social security benefit. There are some exceptions, for example
    - a deferred state or personal pension or retirement annuity, or
    - compensation for personal injury, and
- if you work or provide a service for free or less than the going rate, in which case you are treated as getting the going rate for the job if the person you are working for or to whom you are providing the service has the means to pay. This does not apply if you are working as a volunteer (for example, helping out in a charity shop or a Citizens' Advice Bureau) or you are on an employment or training programme.

Are maintenance payments taken into account when calculating tax credit

No. We don't take maintenance payments, such as, child support or payments under a divorce settlement into account. You will be able to have full use of any maintenance that you receive in addition to your tax credits.

I am a student. Will my loan or grant be taken into account if I claim Child Tax Credit?

We don't take student loans or grants to meet the cost of tuition fees, childcare, or the Parent's Learning Allowance into account. But you should tell us if you receive a Dependant's Grant for a spouse or unmarried partner or a dependent adult.

If you are a student nurse or a health profession trainee and you receive a bursary under the NHS Bursary Scheme, you do not need to tell us about these payments in your claim.

After you have finished your studies and start work, repayments of student loans are not deductible from income in tax credit claims.

Where can I find details of my income?

If you were employed in the tax year 2008-2009, details of your earnings will be shown:

- in the P60 tax certificate given to you by your employer after the end of that tax year, or a P45 if you left before 5 April 2009
- in your monthly pay slips, and
- in the P9D or P11D certificates (if you received relevant benefits) given to you by your employer.

The guidance to the tax credits claim form will tell you exactly which benefits to tell us about.

If you are self-employed, you should tell us the taxable profit calculated in your Self Assessment tax return for 2008-2009. However, if you are a farmer, market gardener or a creative artist, averaging relief for fluctuating profits is not allowed in tax credit claims, further details are provided in the notes accompanying the tax credit claim form (TC600). If you have not yet sent HM Revenue & Customs your Self Assessment return for 2008-2009, you must estimate your profits for that year.

If your business made a loss in that tax year, for tax credit purposes you can set that loss against:

- other income you may have for that year
- any income of your spouse for that year, or
- any income of your personal partner for that year.

For more information, or if you have not sent us a tax return, please see the guidance to the claim form.

If this does not use up the entire loss, the balance (that is, the unused part of the loss after deducting the amounts set against other income of that year) may be carried forward to set against the profits of the same business in a future tax year. For example, if your business made a loss in 2007-2008 and there is some loss remaining after the deduction from other income of 2007-2008, the unused part of the 2007-2008 loss may be brought forward and deducted from the profits of the same business in the tax year 2008-2009.

If you made a trading loss, please phone the Helpline for a working sheet (TC825) to help you to work out the income to enter in your tax credits claim.

If you received taxable social security benefits in 2008-2009, the Department for Work and Pensions (in Northern Ireland, the Department for Social Development) should have sent you a record of the taxable amount of benefit.

If you received other types of income, you should refer to the statements, passbooks or to tax deduction certificates provided by the payer of the income and which you should be keeping for tax purposes.

How is my award worked out?

The amount of tax credits which you (and your partner, if you have one) will receive is calculated by dividing (separately) each of the elements of Child Tax Credit and Working Tax Credit which your family is entitled to by the number of days in the tax year and rounding up to the nearest penny to give a daily rate. These daily rates are then multiplied by the number of days in the relevant period and added together to give your family's maximum entitlement.

We then look at your income (and your partner's, if you have one) to work out whether you will get tax credits in full or at a reduced rate. We will send you an award notice which tells you how much tax credit you will receive and when payments will start.

If your family receives Income Support, income-based Jobseeker's Allowance, income related Employment and Support Allowance or Pension Credits you will automatically receive the full amount of Child Tax Credit that you qualify for.

If you receive Child Tax Credit only, you will be entitled to the full amount of that tax credit until your annual income reaches £16,040.

If you receive Working Tax Credit, whether on its own or in addition to Child Tax Credit, and your annual income (or you and your partner's income) is below £6,420, you will receive the maximum amount of all the elements that you qualify for. If your income is over that threshold, the maximum amount is reduced by 39 pence for every pound of income over the threshold (**rounded down** to the nearest penny).

If you have income over the threshold of £6,420, your maximum amount will be reduced in the following order:

- Working Tax Credit apart from the childcare element
- the childcare element of Working Tax Credit
- the child elements of Child Tax Credit, and finally
- the family element of Child Tax Credit.

We will not start to reduce the family element of Child Tax Credit (including, where relevant, the baby addition) until your annual income is over £50,000 and entitlement to tax credits over and above the family element has been withdrawn. We will then reduce that element by £1 for every £15 of income over that second threshold.

See below some examples of how tax credit awards are calculated.

What happens once I am getting tax credits?

Tax credit awards will initially be based on your current circumstances and your income for the previous tax year.

If your circumstances do not change and there are no significant changes in your income during the year, the initial award will run until the end of the tax year (5 April).

At the end of the tax year, we will send you a further notice that tells you the information we hold about your claim, in particular the circumstances and income upon which we based the award and the amount of tax credit paid over the year. **You should check this notice carefully**. You must then either:

- confirm that the details are correct, or
- correct them if there are changes that you have not previously told us about.

You also need to tell us about your income for the year just ended.

When you send the notice back and we have all the details, we will

- check whether the award we paid you for the year just gone was right, and
- work out your award for the following year, as the notice will also act as the claim for the next award.

If your circumstances and income stayed the same throughout the year which has just ended, or if your income in that year was not more than £25,000 higher than the year before that, you should have received the right amount of tax credits.

If you only get the family element of Child Tax Credit, you don't have to return the notice if your income remains within a certain range specified in the end-of-year notice, provided your circumstances have not changed. The end of year notice will tell you whether you need to return it or not.

If you do not have to return the notice, you will be treated as having automatically made a new claim for the next award.

What happens if my circumstances or income change?

There are some changes that could affect the level of the tax credit award. They include:

- changes in the adults in the household, for example if you and your partner stop living together or if you have been living on your own, you begin living with someone as a couple
- changes in circumstances affecting the elements of tax credits for which you are eligible, such as
    - the birth or death of a child
    - if a child leaves the household or stops full-time education
    - if you stop using 'registered' or 'approved' childcare, or
    - a change in your usual weekly working hours
    - if you move abroad
- you or your partner begin to qualify for a disability element of Working Tax Credit
- you or your partner no longer have a disability which puts you at a disadvantage in getting a job
- a child you are responsible for is registered as blind or is taken off the blind register
- DLA starts or stops being paid for a child you are responsible for
- the Highest Rate Care Component of DLA starts or stops being paid for you, your partner, or a child you are responsible for
- the Higher Rate of Attendance Allowance starts or stops being paid for you or your partner, and
- changes in income between the previous year and the current year.

You should keep:

- a record of any changes in circumstances to help you complete the end of year notice, and
- your new award notice after you have told us about a change of circumstances.

Changes in circumstances

You need to tell us about any changes in circumstances. If you don't you may be overpaid tax credits and will be asked to pay them back. You may also be liable to a penalty of up to £300.

Changes in circumstances need to be reported because you will either need to make a new claim, taking account of your new circumstances and the level of your new household income, or because you will lose entitlement to tax credits. Any increase in tax credits can only be backdated for up to three months.

You must tell us within one month if you claimed:

- **as an individual** but you are now married, or in a civil partnership, or living with someone as if you are married or in a civil partnership
- **as part of a couple** but are now separated, or one of you dies

You must also tell us within **one month:**

- if you or your partner leave the UK permanently or go abroad for more than eight weeks (12 weeks if you go or remain abroad because you are ill or because a member of your family is ill or has died), and
- If you and your partner lose your right to reside in the UK for example, if you are a national of one of the countries that joined the European Economic Area (EEA) on 1 May 2004 (except Cyprus and Malta) or of Bulgaria and Romania, you must tell us if you and your partner lose your job before you have worked in the UK lawfully and uninterruptedly for 12 months). More information about these rules can be found at: www.hmrc.gov.uk/taxcredits/
- if you or your partner stops working more than the relevant minimum of 16 or 30 hours a week. (For couples with children it is your joint working hours that count towards the 30 hours as long as at least one of you works at least 16 hours a week
- if you have been on strike for more than 10 days.

You must also tell us within **one month** if:

- A child leaves the family and moves to live with someone else. This includes a child who has been
    - taken into care or fostered to another family, or
    - found guilty by a court and sentenced to custody or detention for a period of more than 4 months
- a child dies
- a young person leaves non-advanced, full time education or approved training before they reach 20
- a young person starts to have their training provided under a contract of employment
- a child or young person starts to claim Income Support, Incapacity Benefit, income based Jobseeker's Allowance, an Employment and Support allowance, Child Tax Credit or Working Tax Credit in their own right.

If you claimed childcare costs you must tell us if:

- your average weekly costs go down by £10 or more,(phone the Helpline to find out how to calculate your new average weekly costs), or
- your costs go down to zero, or
- your childcare provider stops being 'registered' or 'approved'.

You need to tell us as soon as possible (but ideally within **three months)** about changes that may increase your tax credit award such as:

- a new child in the family
- starting to use 'registered' or 'approved' childcare
- if your average weekly childcare costs increase by £10 a week or more,(phone the Helpline to find out how to calculate your new average weekly costs), or
- an increase in your working hours (or those of your partner) from under 16 hours a week to 16 hours or more a week or from under 30 hours a week to 30 hours or more a week.

You can tell us about any of these changes by:

- phoning the Tax Credits Helpline or
- writing to us at
  The Tax Credit Office (Change of Circumstances)
  Preston
  PR1 0SB.

Changes in income

Your award will initially be based on your income for the previous tax year.

If your income in the current tax year rises by less than £25,000, it will not affect your award and we will still base it on your income for the previous year. So for the current year, you will get the benefit of a rise in income up to that amount without it reducing your tax credit award. The increased level of income is not taken into account until the next year.

If your income in the current year is lower than last year's income, we will base your tax credit award on your current year's income. In this case, you may be due more tax credit. You can either:

- tell us during the year that you expect to receive less income than last year - we will then adjust your payments to make sure you receive the right amount in-year, or
- wait until we finalise your award at the end of the year and we can pay you any extra tax credit you are due in a lump sum.

We will check at the end of the year what your income was. If you tell us during the year about a fall in your income and it falls by less than you expected, you will have to pay back any tax credits we have overpaid.

If your income increases by more than £25,000, then we will base your final award on your current year's income. We will ignore the first £25,000 of the increase when working out your tax credit award for the current year. We will, however, use the full amount of income when setting your award for the following year.

What happens if there are changes in my tax credit award?

You should tell us immediately if you think that your income will rise by more than £25,000 in the current tax year. This will help you to avoid an overpayment of tax credits which you would have to pay back after we finalise the award at the end of the year.

If your tax credit award goes up because of a change in circumstances which increases your entitlement, and if you have told us about this during the year, we will:

- pay any extra tax credit for up to three months before the adjustment was made in a lump sum, and
- increase your award for the rest of the year.

If your income has fallen and you tell us about it during the year, we will pay you any extra tax credits due from the date you tell us about it. If, at the end of the tax year, we find that you were due more tax credit than you were in fact paid because of a change in circumstances or income, we will pay the extra amount as a lump sum.

If your tax credit award goes down because of a change in circumstances which reduces your entitlement or because of an increase of more than £25,000 in your income, that you have told us about during the year, we will reduce your tax credit award for the whole period so that we pay you the right amount for the year overall.

Alternatively, if we have already paid you as much as or more than you are entitled to for that year we will not pay out any more tax credits for the rest of that year. If, during the year, we find that you were not entitled to any tax credits, at any time in the year, we will ask you to pay back all the tax credits we have paid you.

If, at the end of the tax year, we find that we have paid you too much tax credit during the past year, you will have to pay it back by either:

- having it deducted from a continuing tax credit award, or
- direct payment.

What if I disagree with the level of my tax credit award or with having to pay a penalty?

If you disagree with our decision on your tax credit award or with any penalty, you have the right to appeal against it. You will have 30 days from the date of our decision in which to appeal and you will have to tell us the grounds for appealing.

Appeals against decisions on tax credits are administered and heard by appeal tribunals within the Tribunal Service. For more information go to www.hmrc.gov.uk/taxcredits/ and select the link about "appeals".

Help and advice

How do I claim or get more information?

You can make a claim by filling in and returning the claim form TC600.

To get a claim form or for further advice about Child Tax Credit or Working Tax Credit you can:

- phone the Helpline on **0845 300 3900**
- textphone the Helpline on **0845 300 3909**

Our Helplines are open between 8.00am and 8.00pm, seven days a week (except Christmas Day, Boxing Day and New Year's Day).

What other help can I get?

If your income is below a certain level you may be entitled to benefits and services, such as help with the costs of health services, provided by other government departments, agencies or local authorities. You may need to use your tax credits award notice as proof of your income for these benefits and services.

For information about these benefits and services, you will need to contact the organisation that provides them.

If you receive Housing Benefit or Council Tax Benefit, your tax credit award may affect the amount of benefits you are entitled to. When you get your award notice, you should contact your local authority's Housing Benefit or Council Tax Benefit office so that they can reassess your case.

For more information on other help that might be available read our leaflet Child Tax Credit and Working Tax Credit. Other types of help you may be able to get (WTC6).

Child Benefit

If you are claiming Child Tax Credit because you are responsible for a child, you may also be entitled to Child Benefit. If you have not already done so, you should make a claim for Child Benefit.

What is Child Benefit?

Child Benefit is a four weekly tax-free payment made to anyone bringing up a child or young person. It is paid for each child or young person that qualifies and isn't affected by income or savings so most people bringing up a child or young person can get Child Benefit.

You do not need to be the parent of the child or young person to qualify, but you must be responsible for them. The child or young person does not need to live with you, but if they live with someone else you can only get Child Benefit if:

- you pay money to bring up the child
- the amount you pay is the same as, or more than, the weekly rate of Child Benefit you get for them
- the person the child lives with is not getting Child Benefit for them.

Additional qualifying conditions apply once a child reaches 16 years of age.

When and how to make a claim

Child Benefit can only be backdated for up to three months from the date your claim is received in the Child Benefit Office, so it's best to make your claim straight away to avoid losing money.

You should claim Child Benefit as soon as:

- your child is born
- a child or young person comes to live with you that you are responsible for
- you adopt a child who is living with you
- you start to contribute to the cost of looking after a child that you are responsible for, unless the person the child lives with is already getting Child Benefit for them. The amount you contribute must be the same as, or more than, the weekly amount of Child Benefit you get for that child.

You can claim in any of the following ways:

- visit **www.hmrc.gov.uk/childbenefit**
- phone the helpline
  - o **0845 302 1444** (England, Scotland and Wales), or **0845 603 2000** (Northern Ireland), or
  - o if your preferred language is Welsh phone **0845 302 1489**
- textphone the Helpline
  - o **0845 302 1474** (England, Scotland and Wales), or
  - o **0845 607 6078** (Northern Ireland).

The Helpline is open between 8.00am and 8.00pm seven days a week (except Christmas Day, Boxing Day and New Year's Day).

- write to us at
  Child Benefit Office
  PO Box 1
  Newcastle upon Tyne
  NE88 1AA.

National Insurance credits for social security benefits

If you receive Working Tax Credit and are earning below the Lower Earnings Limit for liability to National Insurance contributions (£90 a week in the tax year 2008-2009), you may be awarded National Insurance credits to help to safeguard your entitlement to some social security benefits, such as the basic State Pension.

You can get more advice from the Helpline, any HMRC Enquiry Centre or your local Jobcentre Plus office (in Northern Ireland, a Social Security office).

Examples of tax credit calculations

The following examples explain how tax credits will help people in differing circumstances. Other than example 10, for easy reference, these calculations do not take account of the rounding procedures and the weekly amounts are calculated assuming a 52-week year.

Example 1

Patricia Taylor is a single parent with one child aged 12 and works less than 30 hours a week. Patricia's gross earnings last tax year were £8,000 (rising to £8,400 in the current year) and apart from Child Benefit (which is disregarded for tax credit purposes) she has no other income. She does not use ‘registered’ childcare.

Patricia's maximum tax credit entitlement will be a combination of:

- Child Tax Credit - family element (£545) and child element (£2,235), giving £2,780 a year, and
- Working Tax Credit - basic element (£1,890) and lone parent's element (£1,860), giving £3,750 a year.

A total of £6,530.

As her income in the current year is expected to rise by less than £25,000, her tax credit award for the year will be based on last year's income. The income threshold is £6,420. Patricia's award is worked out as follows:

	£
Annual income	8,000.00
Less threshold	- 6,420.00
Excess income	1,580.00

	£	
Maximum tax credit	6,530.00	
Less 39% of excess income	- 616.20	
Award	**5,913.80**	(£113.73 a week)

Example 2

Rebecca Dobson is a single parent with one child aged 4 and works more than 30 hours a week. She uses a 'registered' child minder, which costs her £100 a week. Her gross earnings last tax year were £15,000 (rising to £15,750 in the current year). She receives Child Benefit and maintenance from the child's father of £1,200 each year. She also has £5,000 in her building society account which in the previous tax year paid gross interest (that is, before tax) of £150 and she expects the same amount this current year. Her total gross income last tax year was therefore £16,350 (not including Child Benefit, which is disregarded). For the purposes of tax credit we also disregard:

- the maintenance payments, and
- the gross interest, because it is below the £300 limit for reporting in the tax credit claim form.

Therefore, her income for tax credits purposes is only her earnings of £15,000 last year and £15,750 this year.

Rebecca's maximum tax credit entitlement will be a combination of:

- Child Tax Credit - family element (£545) and a child element (£2,235), giving £2,780, and
- Working Tax Credit - basic element (£1,890), a lone parent element (£1,860), a 30 hour element (£775 and 80% of the eligible childcare costs of £100 a week (£5,200 a year), which is £4,160 a year, giving £8,685.

A total of £11,465.

As her income in the current year is expected to rise by less than £25,000, her tax credit award for the year will be based on last year's income. The income threshold is £6,420. Rebecca's award is worked out as follows:

	£	
Annual income	15,000.00	
Less threshold	- 6,420.00	
Excess income	8,580.00	

	£	
Maximum tax credit	11,465.00	
Less 39% of excess income	- 3,346.20	
Award	**8118.80**	(£156.13 a week)

Example 3

Mike and Claire Jones have one child, aged 10, who is disabled. Mike works more than 30 hours a week while Claire stays at home to look after their child. Mike had gross earnings last tax year of £20,000 (rising to £21,000 in the current year). Claire receives Child Benefit and Disability Living Allowance on behalf of the child, both of which are disregarded for tax credit purposes. The couple also have £12,000 in their joint building society account, which last tax year paid gross interest of £360 and they expect the same amount this current year. Their total gross income last tax year was therefore £20,360 (not including DLA and Child Benefit).

Their maximum tax credit entitlement will be a combination of:

- Child Tax Credit - family element (£545), a child element (£2,235) and a disabled child element (£2,670), giving £5,450, and
- Working Tax Credit - basic element (£1,890), couple's element (£1,860) and a 30 hour element (£775), giving £4,525.

A total of £9,975.

As Mike and Claire's income in the current year is expected to rise by less than £25,000, their tax credit award for the year will be based on last year's income, with £300 of the gross interest being disregarded. This gives last year's income of £20,060. The income threshold is £6,420. Their award is worked out as follows:

	£
Annual income	20,060.00
Less threshold	- 6,420.00
Excess income	13,640.00

	£	
Maximum tax credit	9,975.00	
Less 39% of excess income	- 5,319.60	
Award	**4,655.40**	(£89.53 a week)

Example 4

Rashid and Yasmin Ali both work more than 30 hours a week and have three children, all of school age. They do not use ‘registered’ childcare. Last tax year, Rashid earned £15,000 (rising to £15,750 in the current year) and Yasmin earned £10,000 (rising to £10,500 in the current year). She also received Child Benefit for the children. The couple also have £12,000 in a joint building society account, which last tax year paid gross interest of £360 and they expect the same amount this current year.

Their total gross income last tax year was therefore £25,360 (not including Child Benefit).

Their maximum tax credit entitlement will be a combination of:

- Child Tax Credit - family element (£545) and a child element (£2,235 per child), giving £7,250, and
- Working Tax Credit - basic element (£1,890), couple's element (£1,860) and a 30 hour element (£775), giving £4,525.

A total of £11,775.

As Rashid and Yasmin's income in the current year is expected to rise by less than £25,000, their tax credit award for the year will be based on last year's income, with £300 of the gross interest being disregarded. This gives last year's income of £25,060. The income threshold is £6,420. Their award is worked out as follows:

	£
Annual income	25,060.00
Less threshold	- 6,420.00
Excess income	18,640.00

	£	
Maximum tax credit	11,775.00	
Less 39% of excess income	- 7,269.60	
Award	**4505.40**	(£86.64 a week)

Example 5

Nick Sinclair is single, aged 25, works more than 30 hours a week and has no children. His gross earnings last tax year were £10,000 (rising to £10,500 in the current year) and he has no other income.

Nick's maximum tax credit entitlement will be a combination of Working Tax Credit - basic element (£1,890) and a 30 hour element (£775), giving £2,665.

As his income in the current year is expected to rise by less than £25,000, his tax credit award for the year will be based on last year's income. The income threshold is £6,420. Nick's award is worked out as follows:

	£
Annual income	10,000.00
Less threshold	- 6,420.00
Excess income	3,580.00

	£	
Maximum tax credit	2,665.00	
Less 39% of excess income	- 1,396.20	
Award	**1,268.80**	(£24.40 a week)

Example 6

Vicky and Simon Graham have one child aged 12. Vicky works more than 30 hours a week and Simon is unemployed. They do not use ‘registered’ childcare. Last tax year their gross earnings were £9,000. They have no other income (apart from Child Benefit, which is disregarded).

Their maximum tax credit entitlement will be a combination of:

- Child Tax Credit - family element (£545) and a child element (£2,235), giving £2,780, and
- Working Tax Credit - basic element (£1,890), couple element (£1,860) and a 30 hour element (£775), giving £4,525.

A total of £7,305.

The income threshold is £6,420. Based on last year's income, Vicky and Simon’s tax credit award would be as follows:

	£	
Annual income	9,000.00	
Less threshold	- 6,420.00	
Excess income	2,580.00	

	£	
Maximum tax credit	7,305.00	
Less 39% of excess income	- 1,006.20	
Award	**6,298.80**	(£121.13 a week)

However, at the start of the new tax year, Vicky takes a better paid job and expects to earn £11,000 gross a year. Simon also gets a new job and expects to earn £24,000. This joint rise in income of £26,000 (£2,000 plus £24,000) is £1,000 higher than the £25,000 limit for reporting increases in income. They contact us immediately to have their tax credit award reassessed on the basis of their current year's income.

Their maximum tax credit entitlement based on their circumstances remains the same but the increase in income will reduce their tax credit award. The first £25,000 of the increase in earnings is disregarded, so the revised award will be based on income of £10,000 (that is, £35,000 less £25,000). We will therefore amend Vicky and Simon’s award as follows:

	£	
Annual income	10,000.00	
Less threshold	- 6,420.00	
Excess income	3,580.00	

	£	
Maximum tax credit	7,305.00	
Less 39% of excess income	- 1,396.20	
Award	**5,908.80**	(£113.63 a week)

Example 7

Mark Joyce is single, aged 30, works more than 30 hours a week and has no children. He is deaf and receives Disability Living Allowance (DLA). Mark's gross earnings last tax year were £10,000 (rising to £10,500 in the current year) and, apart from DLA (which is disregarded for tax credit purposes), he has no other income.

His maximum tax credit entitlement will be a combination of:

- Working Tax Credit - basic element (£1,890), a 30 hour element (£775) and disability element (£2,530), giving £5,195.

As his income in the current year is expected to rise by less than £25,000, his tax credit award for the year will be based on last year's income. The income threshold is £6,420. Mark's award is worked out as follows:

	£
Annual income	10,000.00
Less threshold	- 6,420.00
Excess income	3,580.00

	£	
Maximum tax credit	5,195.00	
Less 39% of excess income	- 1,396.20	
Revised award	**3,798.80**	(£73.05 a week)

Example 8

John Smith, aged 51, starts work at the beginning of the new tax year, having spent the previous year on Jobseeker's Allowance (JSA). His new job means that he works more than 30 hours a week and he expects to earn £29,000 gross a year. He and his wife, Margaret, have £5,000 in their joint building society account, which currently pays £150 a year gross interest (this is disregarded as it is below the £300 limit for reporting on the tax credit form). Margaret stays at home and the couple have no children or young people living with them.

John and Margaret's maximum tax credit entitlement will be a combination of the basic (£1,890), couple's (£1,860), 30 hour (£775) and 50+ return to work (30 hours, £1,935) elements of Working Tax Credit, together worth £6,460.

Their tax credit award will be based on the current year's income. The first £25,000 of the increased income is disregarded. So the award will be based on income of £4,000 (that is, £29,000 less £25,000). The income threshold is £6,420. John and Margaret's award is worked out as follows:

	£	
Annual income	4,000.00	
Less threshold	- 6,420.00	
Excess income	00.00	

	£	
Maximum tax credit	6,460.00	
Less 39% of excess income	- 00.00	
Revised award	**6,460.00**	(£124.23 a week)

Example 9

James and Sarah McAllister have three children, including a baby under the age of one. Sarah stays at home to look after the children while James works more than 30 hours a week. Last tax year, James earned £52,000 (rising to £54,000 in the current year). The couple have £15,000 in a joint building society account, which last tax year paid gross interest of £450 and is expected to pay the same amount in the current year. Sarah also receives Child Benefit for the children but this is disregarded for tax credit purposes. As a result, James and Sarah's total gross income last tax year was £52,450.

Their maximum tax credit entitlement will be a combination of:

- Child Tax Credit - family element (£545), family element's baby addition (£545) and a child element (£2,235 per child), giving £7,795, and
- Working Tax Credit - basic element (£1,890), couple's element (£1,860) and a 30 hour element (£775), giving £4,525.

A total of £12,320.

As James and Sarah's income in the current year is expected to rise by less than £25,000, their tax credit award for the year will be based on last year's income, with £300 of the gross interest being disregarded. This gives last year's income of £52,150. At an income level of £50,000, their entitlement over and above the family element (and baby addition) of Child Tax Credit would already have been withdrawn. As James and Sarah's income exceeds the second income threshold of £50,000 by £2,150, part of their award will be subject to the second taper rate of 6.67% (1/15) and will be worked out as follows:

	£	
Annual income	52,150.00	
2nd threshold	50,000.00	
Excess income above 2nd threshold	2,150.00	
Family element and baby edition	1,090.00	
Less 6.67% of excess income above 2nd threshold	- 143.41	
Award	**946.59**	(£18.20 a week)

Example 10

The following example takes account of the rounding process, and uses an example award from the 2008-2009 tax year.

Colin and Mary Owen are in their early twenties. They both work more than 30 hours a week and each receive a salary of £12,000 a year. On 6 October 2008, their first child is born and Mary gives up work permanently to look after the child. Colin continues to work at the same level of salary. Mary receives Child Benefit but this is disregarded for tax credit purposes. Their tax credit entitlement for the tax year 2008-2009 will be based on Colin's salary of £12,000 and Mary's salary for the first six months of the tax year of £6,000, giving a total gross income of £18,000.

Colin and Mary cannot claim tax credits for the first six months of 2008-2009 because they are both under 25 and have, at that stage, no children. For the next six months, 6 October 2008 to 5 April 2009, they can claim both Child Tax Credit and Working Tax Credit.

Their maximum tax credit entitlement will be a combination of:

- Child Tax Credit - family element (£545), the family element's baby addition (£545) and the child element (£2,085 in 2008-2009) are each divided by the number of days in the tax year (365 days in 2008-2009) and rounded up to the nearest penny to give a daily rate. These daily rates are then multiplied by the number of days in the relevant period (in this example 182 days) and added together, giving £1,587.04, and
- Working Tax Credit - basic element (£1,800 in 2008-2009), the couple's element (£1,770 in 2008-2009) and the 30 hour element (£735 in 2008-2009) are each divided by the number of days in the tax year and rounded up to the nearest penny to give a daily rate. These daily rates are then multiplied by the number of days in the relevant period and added together, giving £2,149.42.

A total of £3,736.46.

Their tax credit award will be based on the current year's income, that is, £18,000 divided by 365 (the number of days in the tax year) and multiplied by 182 (the number of days in the relevant period). This gives income of £8,975.34. The income threshold is £6,420 divided by 365 and multiplied by 182 giving £3,201.21. Colin and Mary's award is worked out as follows:

	£
Income	8,975.34
Less threshold	- 3,201.21
Excess income	5,774.13

	£	
Maximum tax credit	3,736.46	
Less 37% of excess income	- 2,251.91	
Award	**1,484.55**	(£57.09 a week from 6 October 2008 to 5 April 2009)

Customer Service

HM Revenue & Customs commitment

We aim to provide a high quality service with guidance that is simple, clear and accurate.

We will:

- be professional and helpful
- act with integrity and fairness, and
- treat your affairs in strict confidence within the law.

We aim to handle your affairs promptly and accurately so that you receive or pay only the right amount due.

Putting things right

If you are not satisfied with our service, please let the person dealing with your affairs know what is wrong. We will work as quickly as possible to put things right and settle your complaint.

If you are still unhappy, ask for your complaint to be referred to the Complaints Manager.

Customers with particular needs

We offer a range of facilities for customers with particular needs, including:

- wheelchair access to nearly all HMRC Enquiry Centres
- help with filling in forms
- for people with hearing difficulties
  – RNID Typetalk
  – Induction loops.

We can also arrange additional support, such as:

- home visits, if you have limited mobility or caring responsibilities and cannot get to one of our Enquiry Centres
- services of an interpreter
- sign language interpretation
- leaflets in large print, Braille and audio.

For complete details please:

- go online at www.hmrc.gov.uk/enq, or
- contact us. You will find us in *The Phone Book* under HM Revenue & Customs.

These notes are for guidance only and reflect the position at the time of writing. They do not affect any right of appeal.

Issued by HM Revenue & Customs Customer Information Team April 2009