**Example 1:**

**Using daily rates**

Joyce is a lone parent who works 33 hours a week. Her income for 2016/17 was £12,500 and she expects her 2017/18 income to be similar. Her tax credits for 2017/18 are calculated on a daily basis as:

Step 1:

WTC basic £5.37 x 365
WTC lone parent £5.51 x 365
WTC 30 hour £2.22 x 365
CTC child element £7.62 x 365
CTC family element £1.50 x 365
MAXIMUM CREDITS £22.22 x 365 days = £8,110.30

Step 2:

Income £12,500
Less threshold - £6,420
‘Excess income’ £6,080
x 41%
Reduction due to income £2,492.80 (£2,492.80)

**TOTAL TAX CREDITS** (£8,110.30 – 2,492.80) **£5,617.50**

**Using annual rates**

Step 1:

WTC basic £1,960
WTC lone parent £2,010
WTC 30 hour £810
CTC child element £2,780
CTC family element £545
MAXIMUM CREDITS £8,105 £8,105

Step 2:

Income £12,500
Less threshold - £6,420
‘Excess income’ £6,080
x 41%
Reduction due to income £2,492.80 (£2,492.80)

**TOTAL TAX CREDITS** (£8,105 - £2,492.80) **£5,612.12**