

Example 1:

Using daily rates (leap year)

Joyce is a lone parent who normally works 30 hours a week. Her income for 2018/19 was £12,500 and she expects her 2019/20 income to be similar. Her tax credits for 2019/20 are calculated on a daily basis as:

Step 1:

WTC basic	£5.36 x 366	
WTC lone parent	£5.50 x 366	
WTC 30 hour	£2.22 x 366	
CTC child element	£7.60 x 366	
CTC family element	<u>£1.49 x 366</u>	
MAXIMUM CREDITS	£22.17 x 366 days =	£8,114.22

Step 2:

Income	£12,500	
Less threshold	<u>- £6,420</u>	
'Excess income'	£6,080 x 41%	
Reduction due to income	£2,492.80	(£2,492.80)
TOTAL TAX CREDITS	(£8,114.22 - 2,492.80)	£5,621.42

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