EXAMPLE 2

Suppose Joyce had a second child on 1 August 2019. From that date her maximum rate would change and therefore a new relevant period starts.

For the first relevant period (RP) 6/4/18 – 31/7/18 (117 days)

Step 1:

WTC basic	£5.36	
WTC lone parent	£5.50	
WTC 30 hour	£2.22	
CTC child element	£7.60	
CTC family element	£1.49	
MAXIMUM CREDITS	£22.17 x 117 days	£2,593.89

Step 2:

Income (£12,500 x 117/366*)	£3,995.90	
Less threshold (£6,420 x 117/366**)	(£2052.30)	
'Excess income'*	£1,943.60	
x 41%		
Reduction due to income	£796.87	(£796.87)
TOTAL for RP 1	(£2,593.89 - £796.87)	**£1,797.02**

For the second relevant period 01/8/18 – 05/04/19 (249 days – leap year)

Step 1:

WTC basic	£5.36	
WTC lone parent	£5.50	
WTC 30 hour	£2.22	
CTC child element (first child)	£7.60	
CTC child element (second child)	£7.60	
CTC family element	£1.49	
MAXIMUM CREDITS	£29.77 x 249 days	£7,412.73

Step 2:

Income (£12,500 x 249/366*	£8,504.09	
Less threshold (£6,420 x 249/366**)	£4,367.71	
'Excess income'*	£4,136.38	
x 41%		
Reduction due to income	£1,695.91	(£1,695.91)
TOTAL for RP 2	(£7,412.73 - £1,695.91)	**£5,716.82**

Overall total for 2019/20	**(£1,797.02 + £5,716.82)**	**£7,513.84**

* - Income and 'excess income' is rounded down to the nearest penny

** - The threshold is rounded up to the nearest penny