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

**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

Step 2:

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

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