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**: £1.49 x 366

**MAXIMUM CREDITS**: £22.17 x 366 days = £8,114.22

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**: (£8,114.22 - 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

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**