

Example 1:

### Using daily rates

Joyce is a lone parent who normally works 30 hours a week. Her income for 2019/20 was £12,500 and she expects her 2020/21 income to be similar. Her tax credits for 2020/21 are calculated on a daily basis as:

Step 1:

WTC basic	£8.33 x 365	
WTC lone parent	£5.61 x 365	
WTC 30 hour	£2.27 x 365	
CTC child element	£7.76 x 365	
CTC family element	<u>£1.50 x 365</u>	
MAXIMUM CREDITS	£25.47 x 365 days =	£9,296.55

Step 2:

Income	£12,500	
Less threshold	<u>- £6,530</u>	
'Excess income'	£5,970 x 41%	
Reduction due to income	£2,447.70	(£2,447.70)
<b>TOTAL TAX CREDITS</b>	(£9,296.55 - 2,447.70)	<b>£6,848.85</b>

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### Using annual rates

Step 1:

WTC basic	£3,040
WTC lone parent	£2,045
WTC 30 hour	£825
CTC child element	£2,830
CTC family element	<u>£545</u>
MAXIMUM CREDITS	£9,285

Step 2:

Income	£12,500	
Less threshold	<u>- £6,530</u>	
'Excess income'	£5,970 x 41%	
Reduction due to income	£2,447.70	(£2,447.70)
<b>TOTAL TAX CREDITS</b>	(£9,288 - £2,447.70)	<b>£6,840.30</b>