

EXAMPLE 2

Suppose Joyce had a second child on 1 August 2020. From that date her maximum rate would change and therefore a new relevant period starts.

For the first relevant period (RP) 6/4/20 – 31/7/20 (117 days)

Step 1:

WTC basic	£8.33	
WTC lone parent	£5.61	
WTC 30 hour	£2.27	
CTC child element	£7.76	
CTC family element	£1.50	
MAXIMUM CREDITS	£25.47 x 117 days	£2,979.99

Step 2:

Income (£12,500 x 117/365*)	£4006.84	
Less threshold (£6530 x 117/365**)	(£2093.18)	
'Excess income'*	£1,913.66	
x 41%		
Reduction due to income	£784.60	(£784.60)
TOTAL for RP 1	(£2,979.99 - £784.60)	£2,195.39

For the second relevant period 01/8/20 – 05/04/21 (248 days)

Step 1:

WTC basic	£8.33	
WTC lone parent	£5.61	
WTC 30 hour	£2.27	
CTC child element (first child)	£7.76	
CTC child element (second child)	£7.76	
CTC family element	£1.50	
MAXIMUM CREDITS	£33.23 x 248 days	£8,241.04

Step 2:

Income (£12,500 x 248/365*)	£8,493.15	
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Less threshold ($\pounds 6,530 \times 248/365^{**}$)	$\pounds 4,436.83$	
'Excess income'*	$\pounds 4,056.32$	
x 41%		
Reduction due to income	$\pounds 1,663.09$	$(\pounds 1,663.09)$
TOTAL for RP 2	$(\pounds 8,241.04 - \pounds 1,663.09)$	$\pounds 6,577.95$

Overall total for 2020/21 ($\pounds 2,195.39 + \pounds 6,577.95$) $\pounds 8,773.34$

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

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