

Example 1:

### Using daily rates

Joyce is a lone parent who normally works 30 hours a week. Her income for 2021/22 was £14,000 and she expects her 2022/23 income to be similar. Her tax credits for 2022/23 are calculated on a daily basis as:

Step 1:

WTC basic	£5.68 x 365	
WTC lone parent	£5.83 x 365	
WTC 30 hour	£2.36 x 365	
CTC child element	£8.05 x 365	
CTC family element	<u>£1.50 x 365</u>	
MAXIMUM CREDITS	£23.42 x 365 days =	£8,548.30

Step 2:

Income	£14,000	
Less threshold	<u>- £6,770</u>	
'Excess income'	£7,230 x 41%	
Reduction due to income	£2,964.30	(£2,964.30)
<b>TOTAL TAX CREDITS</b>	<b>(£8,548.30 - 2,964.30)</b>	<b>£5,884.00</b>

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### Using annual rates

Step 1:

WTC basic	£2,070	
WTC lone parent	£2,125	
WTC 30 hour	£860	
CTC child element	£2,935	
CTC family element	<u>£545</u>	
MAXIMUM CREDITS	£8,535.00	

Step 2:

Income	£14,000	
Less threshold	<u>- £6,770</u>	
'Excess income'	£7,230 x 41%	
Reduction due to income	£2,964.30	(£2,964.30)
<b>TOTAL TAX CREDITS</b>	<b>(£8,535.00 - £2,964.30)</b>	<b>£5,570.70</b>