

EXAMPLE 2

Suppose Joyce had a second child on 1 August 2021. From that date her maximum rate would change and therefore a new relevant period starts.

For the first relevant period (RP) 6/4/21 – 31/7/21 (117 days)

Step 1:

WTC basic	£5.50	
WTC lone parent	£5.65	
WTC 30 hour	£2.28	
CTC child element	£7.80	
CTC family element	£1.50	
MAXIMUM CREDITS	£22.73 x 117 days	£2,659.41

Step 2:

Income (£13,500 x 117/365*)	£4,327.39	
Less threshold (£6565 x 117/365**)	(£2,104.40)	
'Excess income'*	£2,222.99	
x 41%		
Reduction due to income	£911.42	(£911.42)
TOTAL for RP 1	(£2,659.41 - £911.42)	£1,747.99

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

Step 1:

WTC basic	£5.50	
WTC lone parent	£5.65	
WTC 30 hour	£2.28	
CTC child element (first child)	£7.80	
CTC child element (second child)	£7.80	
CTC family element	£1.50	
MAXIMUM CREDITS	£30.53 x 248 days	£7,571.44

Step 2:

Income (£13,500 x 248/365*)	£9,172.60	
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Less threshold ($\pounds 6,565 \times 248/365^{**}$)	$\pounds 4,460.61$	
'Excess income'*	$\pounds 4,711.99$	
x 41%		
Reduction due to income	$\pounds 1,931.91$	$(\pounds 1,931.91)$
TOTAL for RP 2	$(\pounds 7,571.44 - \pounds 1,931.91)$	$\pounds 5,639.53$

Overall total for 2021.22 ($\pounds 1,747.99 + \pounds 5,639.53$) $\pounds 7,387.52$

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

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