EXAMPLE 2

Suppose Joyce had a second child on 1 August 2022. From that date her maximum rate would change and therefore a new relevant period starts.

For the first relevant period (RP) 6/4/22 – 31/7/22 (117 days)

Step 1:

WTC basic	£5.68	
WTC lone parent	£5.83	
WTC 30 hour	£2.36	
CTC child element	£8.05	
CTC family element	£1.50	
MAXIMUM CREDITS	£23.42 x 117 days	£2,740.14

Step 2:

Income (£14,000 x 117/365*)	£4,487.67	
Less threshold (£6,770 x 117/365**)	(£2,170.11)	
'Excess income'*	£2,317.56	
x 41%		
Reduction due to income	£950.19	(£950.19)
TOTAL for RP 1	(£2,740.14 - £950.19)	£1,789.95

For the second relevant period 01/8/22 – 05/04/23 (248 days)

Step 1:

WTC basic	£5.68	
WTC lone parent	£5.83	
WTC 30 hour	£2.36	
CTC child element (first child)	£8.05	
CTC child element (second child)	£8.05	
CTC family element	£1.50	
MAXIMUM CREDITS	£31.47 x 248 days	£7,804.56

Step 2:

Income (£14,000 x 248/365*	£9,512.32

Less threshold (£6,770 x 248/365**)   £4,599.90

'Excess income'*   £4,912.42

x 41%

Reduction due to income   £2,014.09   (£2,014.09)

TOTAL for RP 2   (£7,804.56 - £2,014.09)   £5,790.47

Overall total for 2022/23 (£1,789.95 + £5,790.47) £7,580.42

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

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