



CHILD TAX CREDIT &
WORKING TAX CREDIT
WTC1

Inland
Revenue



Child Tax Credit and Working Tax Credit

An Introduction



*These notes are for guidance only and reflect the position at the time of writing.
They do not affect your right of appeal.*
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General information

We produce a wide range of leaflets and Helpsheets. Some you might find useful are

CTCR/1 Children's Tax Credit
DPTC/BK1 Your guide to Disabled Person's Tax Credit
WFTC/BK1 Your guide to Working Families' Tax Credit.

We have a full range of services for people with disabilities, including this leaflet in Braille, audio and large print. For details, please ask your local Inland Revenue office or Enquiry Centre.

Our IR List (Catalogue of leaflets and booklets) gives further information about our publications, most of which you can get from any Inland Revenue Enquiry Centre, Tax Office or Inland Revenue National Insurance Contributions office. Addresses are in your local telephone book under 'Inland Revenue'. Most offices are open to the public from 8.30am to 5.00pm, Monday to Friday.

Social Security offices and Jobcentre Plus offices (part of the Department for Work and Pensions), and your library or Citizens' Advice Bureau may also have copies.

You can get most of our leaflets and Helpsheets

- by calling our Orderline on 0845 9000 404 between 8.00am and 10.00pm, seven days a week (except Christmas Day)
- by fax on 0845 9000 604
- by e-mail on saorderline.ir@gtnet.gov.uk
- on the Internet at www.inlandrevenue.gov.uk

• by writing to
PO Box 37
St Austell
Cornwall PL25 5YN.

Helpline and Orderline calls are charged at local rates

From April 2003, existing tax credits will be replaced by two new tax credits: Child Tax Credit and Working Tax Credit. This leaflet explains what these new credits are, who can get them and how to make a claim.

The new tax credits will replace

- Children's Tax Credit
- Working Families' Tax Credit (WFTC)
- Disabled Person's Tax Credit (DPTC)
- the money for children in Income Support and income-based Jobseeker's Allowance
- the New Deal 50+ Employment Credit.

Child Tax Credit will be the way that families will get money for their children, and for some 16 to 18 year olds, and is based on your income. You can claim whether or not you are in work. It will replace the existing tax credits and benefits with a single system - so all families with children, with income of up to £58,000 a year, will be able to claim the credit in the same way.

Working Tax Credit will support working households on low incomes by topping up earnings.

Child Tax Credit and Working Tax Credit are being introduced to improve the way the Government supports families with children and working people on low incomes. The changes mean that more people will be getting more financial help.

To receive one or both of the new credits, you will need to make a claim (by filling out a claim form) even if you

- are currently receiving one of the existing tax credits
- have received tax credits in the past
- have recently made or renewed a claim for one of the existing credits.

But if you are getting money for your child or children through Income Support or income-based Jobseeker's Allowance, you do **not** need to claim now. The Department for Work and Pensions will contact you directly to let you know how the new tax credits will affect you and your benefit.

Child Benefit is not affected by the introduction of Child Tax Credit and Working Tax Credit. Families with children will still be able to claim Child Benefit as they do now and it will continue to be paid as a separate payment.

Who can claim?

To qualify for tax credits, you must live in the United Kingdom (that is, England, Scotland, Wales or Northern Ireland).

Some people may be eligible even if they do not live in the UK. Phone the Helpline (page 9) for more information if you do live outside the UK but you, or your partner if you have one

- work in the UK
- are a Crown servant posted overseas, or
- are receiving UK state pension or contributions-based Jobseeker's Allowance.

If you are a single (or separated) person, you make a claim based on your individual circumstances.

If you are

- part of a married couple living together and not separated, or
 - a man and a woman living together as if you are married
- you must claim together, based on your joint circumstances.

What is Child Tax Credit?

Child Tax Credit is a payment to support families with children.

Can I claim?

You can claim Child Tax Credit if you are responsible for one child (or young person) or more. You do not have to be working to claim.

Child Tax Credit will provide support for

- a child until 1 September following his or her 16th birthday, or
- a young person aged 16 to 18 who
 - is in full-time education, up to and including 'A' levels, NVQ level 3 or Scottish Highers
 - has left full-time education but does not have a job or a training place and has registered with the Careers Service or Connexions Service (Connexions Service does not apply in Scotland or Northern Ireland)
 - is not claiming Income Support or tax credits in his or her own right
 - is not serving a custodial sentence of four months or more imposed by a court.

How much can I claim?

Child Tax Credit will be paid in addition to Child Benefit and any Working Tax Credit.

The table overleaf provides a guide to how much you could receive for the tax year 2003-2004 if you do not qualify for Working Tax Credit. (A tax year runs from 6 April in one year to 5 April the next.) You could qualify for additional amounts if you are also in work.

The first figure in each column shows the maximum amount available and reduces as your income (or joint income, if you are part of a couple) increases. In general, income which is taxable will also count as income in tax credit claims, for example

- earnings from employment or self-employment
- some Social Security benefits, and
- income from savings.

The guidance notes issued with the claim form will explain in more detail what counts as income.

Gross Annual Joint Income (£)	Child Tax Credit (£)					
	One Child		Two Children		Three Children	
	Annual	Weekly	Annual	Weekly	Annual	Weekly
5,000	1,990	38.00	3,435	65.70	4,880	93.30
10,000	1,990	38.00	3,435	65.70	4,880	93.30
15,000	1,335	25.50	2,780	53.20	4,225	80.80
20,000	545	10.40	930	17.80	2,375	45.40
25,000	545	10.40	545	10.40	545	10.40
30,000	545	10.40	545	10.40	545	10.40
40,000	545	10.40	545	10.40	545	10.40
50,000	545	10.40	545	10.40	545	10.40
60,000	0	0.00	0	0.00	0	0.00

What is Working Tax Credit?

Working Tax Credit is a payment to top up the earnings of working people on low incomes, including those who do not have children. There are extra amounts for working households in which someone has a disability. It is available to employees and self-employed people, and includes support for the costs of qualifying child care.

Can I claim?

People who are responsible for a child or young person can claim Working Tax Credit if

- you are aged 16 or over **and** work at least 16 hours a week.

People without children can claim Working Tax Credit if

- you are aged 25 or over **and** work at least 30 hours a week
- you are aged 16 or over **and** work at least 16 hours a week **and** you have a disability which puts you at a disadvantage in getting a job
- you or your partner are aged 50 or more **and** work at least 16 hours a week **and** are returning to work after time spent on qualifying out-of-work benefits.

The detailed rules that apply to people with disabilities and to people aged 50 or more returning to work after a period on benefits are explained in the notes which are issued with the claim form.

How much can I claim?

Working Tax Credit is paid in addition to any Child Tax Credit you may be entitled to.

The amount of Working Tax Credit you receive will be based on your circumstances, for example, how many hours you normally work, and your income (or joint income, if you are part of a couple).

What if I have a new baby?

You will receive a higher rate of Child Tax Credit, which is paid in the year following a child's birth.

How will Child Tax Credit be paid?

Child Tax Credit will be paid directly to the person who is mainly responsible for caring for the children in the family. You can choose whether to receive payments weekly or every four weeks.

What if I get Income Support or income-based Jobseeker's Allowance?

If you qualify for Income Support or income-based Jobseeker's Allowance you will be entitled to the maximum amount of Child Tax Credit for your children. **You do not need to make a claim for Child Tax Credit now.** The Department for Work and Pensions will contact you directly to let you know how the new tax credits will affect you and your benefit.

The tables below provide a guide to how much you could receive for the tax year 2003-2004.

Gross Annual Joint Income (£)	Working Tax Credit (£)			
	if you are responsible for at least one child or young person		Couple or lone parent working 30 or more hours a week	
	Annual	Weekly	Annual	Weekly
5,000	3,000	58.00	3,645	69.70
7,500	2,100	40.50	2,745	52.50
10,000	1,150	22.70	1,820	34.80
12,500	250	4.90	895	17.10
15,000	0	0.00	0	0.00

Gross Annual Joint Income (£)	Working Tax Credit (£)			
	if you are not responsible for any children or young people			
	Single person aged 25 or over working 30 or more hours a week		Couple (working adult aged 25 or over) working 30 or more hours a week	
Annual	Weekly	Annual	Weekly	
5,000	2,145	41.00	3,645	69.70
7,500	1,245	23.80	2,745	52.50
10,000	320	6.10	1,820	34.80
12,500	0	0.00	895	17.10
15,000	0	0.00	0	0.00

You can also receive a higher rate of Working Tax Credit if you (or your partner, if you are part of a couple)

- are aged 50 or more and have just returned to work after qualifying for out-of-work benefits
- are a working person with a disability which puts you at a disadvantage in getting a job, or
- have a severe disability.

Can I get help with the costs of child care if I'm working?

As part of Working Tax Credit, you may qualify for extra help towards the costs of registered or approved child care. This is known as the **child care element** within Working Tax Credit. You can only get this if you are working at least 16 hours a week. If you are part of a couple, both you and your partner must each work at least 16 hours, unless one of you is prevented from working by incapacity.

The child care element of the Working Tax Credit is worth up to 70p in tax credit for every £1 a week you spend on approved child care, up to a limit of £135 a week if you have one child and up to £200 a week for two or more children. So, the maximum child care element you can get is either

- £94.50 a week (£135 x 70%) for one child, or
- £140 a week (£200 x 70%) for two or more children.

For example, if you spend £100 a week, the child care element would be worth up to £70 in tax credit. If you spend £40 a week, the child care element would be worth up to £28.

Your child care element is added to the amount of Working Tax Credit you qualify for. The final amount you get will depend on your income (or joint income, if you are part of a couple). The guidance notes that come with the claim form will tell you what types of child care are approved.

How will Working Tax Credit be paid?

If you are employed, your employer will usually pay any Working Tax Credit with your pay. If you are self-employed, we will pay any Working Tax Credit directly to you.

If you are part of a couple and you both work at least 16 hours a week, you can decide who will receive the payments of Working Tax Credit.

If you are entitled to the child care element of Working Tax Credit, it will be paid directly to the person who is mainly responsible for caring for the children in the family, alongside any payments of Child Tax Credit. Even if you are employed, you will receive this element directly from us and not from your employer with your pay.

How do I make a claim or get more information?

If you already receive Working Families' Tax Credit (WFTC), Disabled Person's Tax Credit (DPTC) or you claim Children's Tax Credit as part of your tax allowances we will write to you by the end of 2002, inviting you to make a claim for the new tax credits

- by filling in and returning the paper form which we'll issue, or
- by going online at www.inlandrevenue.gov.uk/taxcredits.

Guidance notes will accompany both the paper and online claim forms. You can also ring our Helpline (please see page 9 for details).

Please note: WFTC and DPTC awards do not end until 7 April 2003. The Children's Tax Credit is available throughout 2002-2003. If you are not claiming one of these credits but think you might be entitled to, please see our leaflets listed at the front of this leaflet or contact your local Enquiry Centre for more information.

If you think you might be entitled to Child Tax Credit or Working Tax Credit or both, you can go online at www.inlandrevenue.gov.uk/taxcredits to check your eligibility. If you find you are entitled to tax credits, you will be able to make your claim online immediately.

If you don't have access to the Internet, you can check your eligibility or get a claim pack by phoning **0800 500 222**. This line is open between 7.00am and 11.00pm, seven days a week.

If you need further advice about Child Tax Credit, Working Tax Credit or the claim forms you can

- phone our Helpline on **0845 300 3900** (England, Scotland and Wales) or **0845 603 2000** (Northern Ireland)
- textphone the Helpline on **0845 300 3909** (England, Scotland and Wales) or **0845 607 6078** (Northern Ireland)
- visit any Inland Revenue Enquiry Centre.

Our Helplines are open between 8.00am and 8.00pm, seven days a week (except Christmas Day, Boxing Day, New Year's Day and Easter Sunday).

For tax credit awards beginning in April 2003, **you will have to provide**

- your income details (and those of your partner) for the tax year 2001-2002 (that is, from 6 April 2001 to 5 April 2002), as this is the last complete tax year for which you should have details of your income, and
- your National Insurance number (and that of your partner). It looks like this - AB 12 34 56 C.

To help you claim, you should keep any information you have or are sent about your income during the tax year 2001-2002. For example, you should keep

- the P60 tax certificate given to you by your employer after the end of that tax year, and your form P11D or P9D (if you receive one)
- any statements your bank and building society send you of taxable interest received in that year
- details of your taxable profits or losses for that year, if you were self-employed.

What do I need to make a claim for 2003-2004?