

9 Going Back to Work



Information on Tax Credits, Housing/Council Tax Benefits & Passported Benefits

Tax Credits supplement low and middle incomes. They are means-tested.

From November 2008, lone parents whose youngest child is 12 years old and who make a new or repeat claim will have to claim Jobseekers Allowance (JSA) rather than Income Support (IS). The conditions of entitlement to JSA for lone parents have been changed to take account of this. Lone parents need to be available for work for only 16 hours per week in order to qualify for JSA. Those who have problems taking up work due to lack of suitable childcare, will not be penalised.

Lone parents claiming JSA will be invited to Jobcentre Plus for a series of interviews depending on their specific circumstances. There will be support in the form of advice, training and back to work benefits much in line with what was/is offered by New Deal for Lone Parents (see factsheet 10). Lone parents may be penalised if they do not participate without good reason.

Child Tax Credit (CTC)

CTC may be paid to both working and unemployed lone parents. To be entitled you must be responsible for at least one child under the age of 16 (or under 20 if in full-time non-advanced education or training). It comprises the following elements (weekly figures rounded up to nearest pence):

Family: £545 p/a (£10.50 p/w)
 Baby addition: £545 p/a (£10.50 p/w)
(while baby is under one year old)
 Child:* £2085 p/a (£40.04 p/w)
 Disabled:* £2540 p/a (£48.72 p/w)
(child in receipt of DLA)
 Severely disabled:* £1020p/a (£19.60 p/w)
(child in receipt of DLA highest care component)
 * for each child

Working Tax Credit (WTC) and Childcare Costs

To be eligible for Working Tax Credit you must be working 16 hours per week or more and have care of at least one child (see CTC above). You can apply for help with the cost of childcare if you have a child under 15 years (16 if the child has a disability), and use registered childcare. It is made up of the following elements:

Basic: £1800 p/a (£34.58 p/w)
 Lone parent: £1770 p/a (£33.95 p/w)
 30 hour: £735 p/a (£14.14 p/w)
 Disability: £2405 p/a (£46.13 p/w)
 Severe disability: £1020 p/a (£19.60p/w)
 Childcare element: up to 80% of qualifying childcare costs up to £175p/w (£140) for one child and £300 (£240) for 2 or more children.

Your Tax Credits last until the end of the tax year, and can be altered if your circumstances change. If you apply after the start of the tax year in April, you will receive a proportion of the annual amount.

Tax Credits are initially based on previous year's income. An increase of up to £25,000 between last year's and this year's income is disregarded when the award is finalised at the end of the tax year. However, if the current year's income is less than the previous year, claimants may ask for their award to be revised based on the current years predicted income. In this case, there is no disregard for subsequent increases which are still below the previous year. If you have asked for a tax credits award to be based on the current year earnings, it is important to keep HM Revenue & Customs informed of any changes and ask that they readjust the award straight away to avoid overpayments.

You must notify HM Revenue & Customs within one month if you experience a relationship breakup or a new partner moves in. You must also inform them if you stop using qualifying childcare or your

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childcare costs go down by more than £10 per week for 4 weeks, your working hours change or the composition of your family changes.

Failure to report changes within one month may lead to a penalty of up to £300, therefore any changes should be reported as soon as possible to avoid overpayment.

If you become eligible for a new Tax Credit, the award will be increased from the date of change if you inform HM Revenue & Customs within three months. If making a claim for DLA inform HMRC that a claim has been made so, if successful, tax credits can be back dated to date of claim. Changes reducing your entitlement will always take place from the date of change, so if you do not notify the change immediately you will accumulate an overpayment and may be fined.

Working Tax Credit payments will continue for 4 weeks from the day you cease to work 16 hours per week or more.

Calculating WTC/CTC

To calculate your maximum Tax Credit entitlement you add up your WTC and CTC elements (see above).

If your gross income (before tax and National Insurance Contributions) is less than £6420 or £123.46 per week (threshold) you will receive the maximum WTC/CTC entitlement.

If your income is over the threshold, your entitlement is reduced in the following order: WTC, childcare, CTC individual elements and family element.

Tax Credits are reduced by 39 pence in the pound for every pound that your

income exceeds the threshold. The family element of the Child Tax Credit is retained until income exceeds a second threshold (£50,000) and it then tapers at a rate of £1 in every £15.

There are no capital limits but actual income from capital will be taken into account (e.g. interest). However, the first £300 of this is disregarded.

Maintenance is ignored when calculating WTC/CTC but will be taken into account for Housing and Council Tax Benefits. From December 2008, all maintenance payments will be disregarded for Housing and Council Tax Benefits. WTC/CTC applicants are not required to co-operate with the CSA.

Case Study

A lone parent with two children works 35 hours per week. Her gross income is £11,000 per annum. Her childcare costs are £4680 per year (£90 p/w).

Child Tax Credit

Family element:	£545
Child element: (child 1)	£2085
Child element: (child 2)	+ £2085
CTC Total	= £4715

Working Tax Credit

Basic element:	£1800
Lone parent element	£1770
30 hour element	£735
Childcare (80%)	+ £3744
WTC Total	= £8049
Maximum Award: £4715 + £8049 =	£12764

Apply threshold:

Annual income (£11,000) less threshold (£6420) = £4580

Reduction in award: (£4580 x 39%) = £1786.20

Maximum award minus reduction in award: £12764 - £1786.20 = £10977.80

Housing Benefit and Council Tax Benefit

You can claim help with your rent and Council Tax from your local Council if you have less than £16,000 in savings. Claims may have to be made separately.

Housing Benefit Rates

Personal Allowances	
Lone Parent under 18	£47.95
Lone Parent over 18	£60.50
Dependent Children Credits: birth to day before 19th birthday	£52.59
Premiums	
Family	£16.75
Family (before 5/4/98)	£22.20

Family (baby addition) £10.50
There are a number of disability premiums. Please contact OPFS for details.

Calculating Housing and Council Tax Benefit:

The lone parent in our case study has a gross income of £11,000 p/a or £211.53 per week, maintenance of £20, Child Benefit of £31.35 and WTC/CTC of £211.11 p/w. Her rent is £140 p/w and her Council Tax is £20 p/w (as the only adult in the house she has a 25% discount). She has no savings.

1: Calculate Weekly Rent and Council Tax

Rent	£140
Council Tax	£20

Usually your maximum Housing Benefit will be the amount of rent you pay. In some situations it is lower.

2: Calculate Applicable Amount

Add your personal allowance, dependent children allowances and relevant premium. This is your 'applicable amount'.

Personal Allowance	£60.50
Dependent Child (child 1)	£52.59
Dependent Child (child 2)	£52.59
Family Premium	£16.75
Applicable Amount =	£182.43

3: Calculate Weekly Income

Some things do not count as income: the first £25 of net earnings, the first £15 of maintenance, relevant childcare costs up to a maximum of £175 p/w for one child (£300 p/w for two or more children). Child Benefit and Tax Credits (less WTC disregard) count in full.

Earnings (net)	£211.53
Earnings Disregard	-£25.00
WTC Disregard	-£16.05
Relevant childcare costs	-£90.00
Child Benefit	
1st Child	+£18.80
2nd Child	+£12.55
Maintenance	
(£20 - £15 Disregard)	+£5.00
WTC/CTC	+£211.11
Weekly Income	=£327.94

4: Subtract Applicable Amount from Income

Weekly Income	£327.97
Applicable Amount	- £182.43
Difference	= £145.51

5: Calculate Housing Benefit (HB)

Housing Benefit is reduced by 65p for every £1 that income exceeds the applicable amount.

65% of the Difference (step 4)

65% of £145.51 = £94.58 Reduction
Rent - Reduction = HB Paid
£140 - £94.58 = £45.42

The lone parent gets £45.42 Housing Benefit and has to pay £94.58 of the rent herself.

6: Calculate Council Tax Benefit

Council Tax Benefit is reduced by 20p for every £1 that your income exceeds the applicable amount. Maximum weekly Council Tax Benefit (Max CTB) is the bill (not including water and sewerage) after any discounts have been subtracted.

20% of Difference (Step 4)

20% of £145.51 = £29.10 Reduction
Max. CTB - Reduction = CTB paid
£20 - £29.10.

As the reduction is greater than the actual Council Tax paid, there is no Council Tax Benefit paid.

If the weekly amount of Housing Benefit calculated is less than 50p, then it is not awarded. There is no minimum award of benefit for Council Tax Benefit.

Passported Benefits

Health Service benefits (prescriptions, dental treatment, eye tests/glasses, etc.) will be available for anyone who receives: 1) WTC and CTC; or 2) CTC only and works less than 16 hours or doesn't work. In all cases, household income must be less than £15,050/year. The Tax Credit award issued by the HM Revenue & Customs indicates entitlement to Health Benefits. For more information on changes to prescription charges etc see Factsheet 10: Back to Work Benefits.

Tax Credits & Maintenance

Maintenance does not affect the amount of Tax Credits you receive but does affect Housing and Council Tax Benefit.

NB When you cease to have entitlement to Income Support, the onus is on you to inform the Child Support Agency of your change of circumstances. This will **not** be done automatically by Jobcentre Plus. It is important that you do this as soon as possible so you receive your maintenance.