

Child Tax Credit

This factsheet explains whether you or your spouse/partner are entitled to the Child Tax Credit and the childcare element of the Working Tax Credit.

Claims for the Working Tax Credit other than the childcare element are not covered in detail here. It is aimed at low income workers. As the amount of Child Tax Credit may be dependent on the potential benefits payable under the Working Tax Credit, you may need to look at the benefits under the Working Tax Credit system. The rates of Working Tax Credits are shown as an appendix to this factsheet. A tax credit claim could affect other state benefits (but not child benefit). Such impact is not further considered here.

The credit and the childcare element of the Working Tax Credit are paid direct to the main carer, usually the mother.

Claiming Child Tax Credit

Who makes the claim?

Couples must make a joint tax credits application. If you are part of a couple, you cannot decide to apply as a single person. A couple is:

- a man or a woman who are married and living together, or
- a man and a woman living together as if they are married, or
- a same sex couple who have entered into a civil partnership, or
- a same sex couple who live together as if in a civil partnership.

The income of couples must be added together for the threshold tests below.

Qualifying child

Child Tax Credit is for people who are legally responsible for at least one child or qualifying young person. (See appendix.)

The childcare element of the Working Tax Credit

Who makes the claim?

Couples with children must work at least 24 hours a week between them, with at least one of them working 16 or more hours. If only one member of the couple works, that person must work at least 24 hours.

There are some exceptions to the 24 hours rule. Couples with children will still qualify for WTC if:

- one partner who is working at least 16 hours per week is eligible for the disabled worker element of WTC, or is aged 60 or over; or
- one partner works at least 16 hours a week and the other partner is 'incapacitated', an in-patient in hospital, or in prison.

Qualifying child

The child or children you are claiming for must be under the qualifying age. (See appendix.)

What type of childcare?

Payments must be made to a 'childcare provider'. (See appendix.)

How much are these credits worth?

This depends on your circumstances.

Amounts and income tests - for full Child Tax Credit

To compute the full potential Child Tax Credit the following credits are added to the Working Tax Credit but then may be reduced by the level of your family income:

	2014/15 Annual £
Child element per child	2,750
Disabled child element	3,100
Severely disabled child element	1,255
Family (one only)	545

Childcare costs are added to the above rates at a rate of 70% of eligible costs to maximum eligible costs of £175 per week (£300 if two or more children).

The annual income threshold for the full Child Tax Credit and childcare costs is currently £6,420 with a reduction of 41p for every extra £1 of income. This threshold and reduction applies where your entitlement consists of both CTC and WTC elements. If you are only eligible for the Child Tax Credit as you are not working then the annual income threshold is £16,010 before any reduction is applied.

Example

Oscar and Izzy work full time and have two children. Oscar has self employment income of £10,400 p.a. and Izzy is employed with income of £26,000 p.a during 2013/14. They pay eligible childcare costs of £180 per week.

Their provisional entitlement to Working Tax Credit / Child Tax Credit in 2014/15 will be:

	2014/15 £
Basic (Working Tax Credit)	1,940
Couple addition (Working Tax Credit)	1,990
30 hours per week (Working Tax Credit)	800
Childcare 70% of £180 x 52 weeks	6,552
Child Tax Credit - 2 children @ £2,750	5,550
Child Tax Credit - Family element	545
	<hr/>
	17,327
Less (10,400 + 26,000 - 6,420) @ 41%	(12,292)
	<hr/>
Child Tax Credit	£5,035

Which year's income?

The initial claim to Child Tax Credit for 2014/15 is based on income for the tax year 2013/14. So, for example it includes the taxable business profits or employment income as stated in your tax return for that year. Other income is also included to the extent that it exceeds £300.

Personal pension contributions and Gift Aid payments (the grossed up amounts) are deductible.

There are other special rules but adding together your 'family' income on this basis will give you an idea as to whether it is worthwhile making a claim.

The amount of tax credit that you are entitled to can change if your income in the year to 5 April 2015 is significantly different from your income in the year to 5 April 2014. If the income for the later year is more than £2,500 higher than income in the initial claim, then you may end up with less tax credit and have to make a repayment of the amount you were overpaid to HMRC.

If your income is significantly reduced, by more than £5,000 you may be entitled to claim further tax credits once your actual income is known.

Renewals process

Claimants will have to make an annual declaration to HMRC detailing their actual income position.

Deadline

The renewal deadline for 2014/15 claims is 31 July 2015. It is possible to renew using estimated figures and then provide final figures by 31 January 2016.

Protective claims

As previously stated, the initial claim to credit for a given year is based on income of the previous year - eg. the initial claim for 2014/15 is based on income of 2013/14. However, the final credit to which a family is entitled is based on the actual income for 2014/15. Of course, you do not yet know your actual income for the year to 5 April 2015. You are unlikely to know your actual income for a given tax year until the end of the year. However, it may be best to make a claim sooner rather than later due to restrictions on backdating late claims.

A claim can only be backdated by one month. This means that a claim made on 6 August can only be backdated to 6 July.

Protective claims are likely to be of most interest to people with children whose income levels are variable perhaps because they are self employed or because there is the threat of redundancy.

How do I claim?

The tax credits website www.hmrc.gov.uk/taxcredits allows people to make their claim online. It also gives more information on the various elements of the tax credits and the opportunity to go through a quick calculation that gives an indication of what you might be entitled to.

If you would prefer to make a paper-based claim, you can telephone a helpline (0845 300 3900) and ask for a claim pack.

How we can help you

As the claim has to be made jointly by you and your spouse/partner, we can only make claims on your behalf if each of you has previously signed a form authorising us to act.

If we do not currently act for your spouse/partner we will need a form to be signed. Please contact us if you want us to act for your spouse/partner and we will send you the appropriate form. If you do not wish us to formally act we are still available to provide any advice you need.

Appendix

Working Tax Credit rates

	2014/15 Annual £
Basic	1,940
Couple / lone parent addition	1,990
Working 30+ hours per week add	800
Disabled worker	2,935
Severe disability	1,255

Qualifying child for Child Tax Credit

Child Tax Credit is for people who are legally responsible for at least one child or qualifying young person.

- A child is a person aged under 16 or until the 31st August after that child's 16th birthday.
- A young person is a person aged 16 to 19 provided they are in full time non advanced education or an approved training course, either of which began before their 19th birthday.

Qualifying child for childcare element of the Working Tax Credit

The child or children you are claiming for must be under the qualifying age. For the childcare element that age is from birth up to 1st September following the child's 15th birthday. If:

- the child is registered blind or
- the child has been taken off the blind register within the last 28 weeks or
- you receive Disability Living Allowance on behalf of that child,

the qualifying age is from birth up to 1st September that follows the child's 16th birthday.

Childcare provider

You can apply for the costs of childcare arrangements if the childcare provider is:

- a registered childminder, nursery or play scheme or
- an out of hours club on school premises run by the school or Local Authority or
- a childcare scheme run on Government property or
- a childcare scheme run by an approved provider. For example, an out of school hours scheme. Your scheme will be able to tell you whether they are approved.

You cannot apply for the costs of any childcare arrangement that does not fit into one of the above categories. The childcare provider must have a registration number which is provided by the Local Authority when they are approved.

For information of users: This material is published for the information of clients. It provides only an overview of the regulations in force at the date of publication, and no action should be taken without consulting the detailed legislation or seeking professional advice. Therefore no responsibility for loss occasioned by any person acting or refraining from action as a result of the material can be accepted by the authors or the firm.