

Child Tax Credits and Working Tax Credits

CHILD TAX CREDITS (CTC)

If you are responsible for one or more children you are entitled to claim Child Tax Credits, you do not have to be working to be eligible to claim Child Tax Credits. CTC is a means-tested benefit but if your household income is below £40,000 you will receive a partial award and anybody with a household income of £15,860 or less should receive maximum Child Tax Credits.

Students whose only income is from Student Finance should receive the full amount of Child Tax Credits as their income is usually below the £15,860 threshold and as Student Finance income is not taxable it is not taken into account as income for Tax Credit calculations, the only exception to this is the Adult Dependant Grant. If you live with a partner you will be assessed on joint income. The threshold for receipt of Child and Working Tax Credit is reduced if you are entitled to Working Tax Credit to £6,420. You will get the full amount of Child Tax Credit if you receive Income Support, Job Seekers Allowance and Employment and Support Allowance.

If you have a Disabled Child

There is an extra amount of Child Tax Credit available as a disability/severe disability element which you can claim if you have a disabled child who is receiving at least the lower rate of Disability Living Allowance. This increases the amount of tax credit you receive.

WORKING TAX CREDIT (WTC)

Working Tax Credit is paid to people in low paid work to help with living costs and any childcare costs associated with their work. Income is assessed by the Inland Revenue on an annual basis and usually based on income earned over the previous tax year. WTC is paid with your wages whilst any childcare element is paid to the main carer directly into a bank account.

As with Child Tax Credit student status does not affect your entitlement to WTC in itself and if you are a student you can apply for both Child and Working Tax Credits as long as you meet the eligibility conditions.

WTC Childcare Element V's Student Finance Childcare Grant

The Childcare Element of WTC pays up to 70% of your childcare cost, the Student Finance Childcare Grant pays up to 85% of your childcare costs but you cannot receive both the Student Finance Childcare Grant and the WTC childcare element at the same time, therefore if you qualify for both it is usually better to claim the Student Finance Childcare Grant

The main criteria for WTC are that:

- You are 16 or over, have children and are working at least 16 hours per week or
- You are 16 or over, have a disability and are working at least 16 hours per week or
- You are over 25 and working 30 hours per week or
- You are over 50, have been receiving certain benefits and are now working more than 16 hours per week and.....
- You have a low income.

What you receive depends on the result of a means test assessed on your income.

CLAIMING TAX CREDITS

You must claim tax credits in writing on form TC 600 unless you are renewing your claim. You can obtain the forms from the Revenue Enquiry Centres, Advice Centres and directly from the Tax Credit Office. The Revenue operates a tax credit helpline service that can issue claim forms and answer questions about tax credits on 0845 300 3900. You can also make a claim on line at the Revenue website. (www.inlandrevenue.gov.uk/taxcredits)

An award of tax credits can be made on the basis of an online claim without you having to sign any document. The amount of tax credit to which you are entitled depends on your income over a tax year-claims are normally assessed on the last complete tax years income unless your income is likely to be lower or £25,000 higher in the current year. If your income increases by at least £25,000 in the current tax year you are required to inform the Revenue so that your tax credit entitlement can be reassessed. If your income drops during the tax year you can request a reassessment on the reduced income.

ANNUAL REVIEW

If you are already claiming tax credits the Inland Revenue will write to you between April and July of the following year enclosing an annual review form-(TC 603R) -unless you have an ongoing award of the family element of Child Tax Credit or a nil award you should also receive an annual declaration form (TC 603 D). You should check that all the information about your circumstances contained on the form is correct such as number and age of children, your income and if you live with a partner etc. If you receive this you should always complete and return it by the date specified (this will usually be 30th July). If you do this your renewal claim

will be backdated to 4th April 2011. If you return your form after this but you have 'good cause' for returning the form late the renewal award can also be backdated.

TAX CREDITS AND OTHER BENEFITS

Tax Credits are treated as income in full for calculation of some means-tested benefits such as Housing and Council Tax Benefit -all aspects of tax credits are counted in full -even the disability element .Tax Credits act as a passport to certain health benefits such as free prescriptions, dental treatment, and eye tests etc-see separate leaflet on health benefits. When calculating income for tax credit purposes it is generally taxable social security benefits that are taken into account.

Student Finance

In general most Student Finance loans and grants are ignored in the tax credit assessment with the exception of the Adult Dependants Grant. For student fund assessment purposes tax credits are only taken into account as income when paid to the student's partner-it is therefore important to request payments to be made to the student where possible-remember Child Tax Credit and the childcare element of W.T.C are normally paid to the main carer of the child.

Payments

If you make a single claim the Revenue generally pays Child Tax Credit and the Childcare element straight into a Bank Account and the Working Tax Credit into your wages via your employer. With joint claims Child Tax Credit and the Childcare Element is paid to whoever is the ' main carer 'of the children and Working Tax Credit to the member of the couple who is engaged in full-time remunerative work. If both members of the couple are engaged in full-time work they can choose which member receives the Tax Credit.

Self employed couples can choose which account the Working Tax Credit is paid to direct from the Inland Revenue.