



INLAND REVENUE
Analysis and Research

Child and Working Tax Credits

Summary Statistics

July 2004



A National Statistics Publication
© Crown Copyright 2004

CHANGES TO THE PUBLICATION DATES AND FREQUENCY OF PUBLICATION OF STATISTICS ON THE CHILD AND WORKING TAX CREDITS

The Inland Revenue is making changes to the frequency with which it publishes statistics on Child and Working Tax Credit awards, and is therefore also changing the dates of publication.

New publication timetable

Statistics on Child and Working Tax Credit awards at specific reference dates will now be published twice a year – around December and May. The precise dates will be announced in due course. These statistics will replace the Quarterly Statistics. The reason for the change is that tax credit claimants are asked to report their final incomes for the previous tax year by the end of September. Until these data are reported and processed, each family's entitlement can only be modelled using incomes for an earlier year, which play no role in determining the final entitlement. This makes the interpretation of statistics for dates before the end of September very difficult, and affects their usefulness. Further details are contained in the Introduction.

The statistics will continue to be released as soon as practicable after their reference dates. The next publication will be around December 2004. An announcement will be made nearer the time giving both the reference date for the publication and a publication date. The reference date for the May publication will be near the start of April.

Summary statistics for July 2004

The Quarterly Statistics scheduled for publication on 30 July 2004 have been replaced with a set of summary statistics. These have a reference date of 5 July 2004, and in this respect are identical to the planned Quarterly Statistics. However, for the same reason as given above, they do not show the detailed analysis contained in the Quarterly Statistics, and the figures have been more heavily rounded.

New annual publication

Inland Revenue will also produce an annual statistical publication on tax credits awards. This will supplement the statistics for specific reference dates published in-year. It will be based on final entitlements, incorporating final figures for current year incomes, and will include statistics on average award values. The publication relating to 2003-04 is planned for May 2005.

Contact point for enquiries:-

Analysis and Research (AR5)
Inland Revenue
Room 54 - New Wing
Somerset House
London
WC2R 1LB
☎ : 020 - 7084 5501
Fax : 020 - 7438 4329
E-mail : ar_tcasp.ir.sh@gtnet.gov.uk

This publication, and issues of the Quarterly Statistics back to July 2003, can be found on the Inland Revenue web site:

www.inlandrevenue.gov.uk/stats/personal-tax-credits/menu.htm

A NATIONAL STATISTICS PUBLICATION

National Statistics are produced to a high professional standards set out in the National Statistics Code of Practice. They undergo regular quality assurance reviews to ensure that they meet customer needs.

For general enquiries about National Statistics, contact the National Statistics Public Enquiry Service on

☎ : 020 - 7533 5888
minicom : 01633 812399
E-mail : info@statistics.gov.uk
Fax : 01633 652747
Letters : room DG/18, 1 Drummond Gate, LONDON, SW1V 2QQ

You can also find National Statistics on the internet - go to **www.statistics.gov.uk**

Note: Certain figures do not fall under National Statistics.
See the Introduction.

Child and Working Tax Credits Summary Statistics

July 2004

Contents	PAGE
Introduction	1
Table 1.1 Families with CTC or WTC awards, or with children and receiving out-of-work-benefits, July 2003 to July 2004.	3
Table 2.1 Families with CTC or WTC awards, or with children and receiving out-of-work benefits, by whether in work.	4
Table 2.2 Couples and single adults with CTC or WTC awards, or with children and receiving out-of-work benefits, and numbers of children.	5
Table 3.1 In-work families benefiting from elements of CTC and WTC	6
Technical note: Entitlement and level of receipt	7
Appendix A: Sampling method and sampling error	9
Appendix B: CTC and WTC elements and thresholds	10

Introduction

Summary statistics

In the former Quarterly Statistics, each family was allocated to a position on the tax credits entitlement profile based on their modelled entitlement using 2001-02 incomes and, where reported, estimated 2003-04 incomes. This mirrored how actual entitlement was calculated; the final entitlement is based on a combination of 2001-02 and 2003-04 incomes (see the Technical Note), but awards were initially made based just on 2001-02 incomes.

For 2004-05, final entitlements will similarly be based on a combination of 2003-04 and 2004-05 incomes, with initial entitlements based just on 2003-04 incomes. However, families have until September 2004 to report their 2003-04 incomes, and so for many cases only 2001-02 incomes were known by July. For these cases, not even an initial entitlement can be calculated, and entitlements have been modelled using 2001-02 incomes for this publication. Because of this, the figures can only be taken as indicative, which is why only heavily rounded summary figures are shown.

Child and Working Tax Credits, and coverage of the tables

Child Tax Credit (CTC) provides support to families for the children (up to the 31 August after their 16th birthdays) and the "qualifying" young people (in full-time non-advanced education until their 19th birthdays) for which they are responsible. It is paid in addition to Child benefit.

Working Tax Credit (WTC) tops up the earnings of families on low or moderate incomes. People working for at least 16 hours a week can claim it if they (a) are responsible for at least one child or qualifying young person, (b) have a disability which puts them at a disadvantage in getting a job or (c) returned to work within the last year aged at least 50 after a period of at least six months receiving out-of-work benefits. Other adults also qualify if they are aged at least 25 and work for at least 30 hours a week.

CTC and WTC are claimed by individuals, or jointly by couples, whether or not they have children (described as "families" in this publication). These figures cover families who had claimed, and were eligible for, CTC or WTC at 5 July 2004 (the "reference date").

Families "receiving" CTC and / or WTC, and the level of CTC

Families with positive modelled awards are described as "recipients" in the tables. It takes no account of reductions to payments being made at the reference date to avoid or minimise overpayments in the year. Families "with awards" also include those eligible for, and having claimed, CTC or WTC but whose modelled awards are tapered to zero. For more details, see the Technical Note.

The coverage of out-of-work families with children

A family is defined as being in-work at the reference date if one of the adults, or the single adult, works for at least 16 hours per week. Sections 1 and 2 cover both in-work and out-of-work families. Sections 3 to 8 cover only families in-work.

Out of work families with children receive the same level of child support whether via CTC or via Income Support or income-based Jobseeker's Allowance (IS/JSA). Pension Credit contains no element for child support, so families with children receiving Pension Credit must obtain this support via CTC.

Out of work families with this child support fall into one of three groups:

- A. Receiving CTC but not IS/JSA (*not eligible for IS/JSA; or CTC and other income reduces the benefit to zero*);
- B. Receiving CTC and IS/JSA (*the benefit is reduced by CTC, but not to zero*);
- C. Receiving IS/JSA but not CTC.

Families in work with CTC awards, and who move out of work, still receive CTC. Some other out of work families with children have also claimed CTC. Both these sets of families have joined groups A and B. Families remaining in Group C will be migrated to CTC, to also join Groups A and B.

The tables cover families in Group C, as well as those with tax credit awards in Groups A and B, because:

- i) they thereby show all families with this common level of child support, and all recipients who will eventually receive this support via CTC;
- ii) the time series of the total number of families covered is not affected by the timing of the migration.

However, the estimated size of Group C is based on the number of families with children receiving IS/JSA each quarter up to February 2004, with projections forward to later quarters. Estimates for the tax credit reference dates are then interpolated, and estimates of the numbers in Group B (based, at least initially, on information reported by CTC claimants) subtracted. The resulting estimates, and the estimated total numbers of recipient families with children not in work, are therefore heavily rounded in the tables, and fall outside National Statistics.

Sampling uncertainty

The figures in the tables are estimates based on data for a random sample of families with awards at the reference date, extracted from the computer system on that date. The results are scaled so that the derived total number of families with awards agrees with a separate complete count, but the figures are still subject to sampling uncertainty. For more details of the sample, and the sampling errors associated with the figures in the tables, see Appendix A.

Table 1.1 Families with CTC or WTC awards, or with children and receiving out-of-work-benefits, July 2003 to July 2004.

	Total ¹		Families not in work ¹	In-work families with CTC or WTC awards							
	In receipt	Other ²		Total	Total	With children			Without children		
						With WTC and CTC	With CTC only More than family element	With neither ² Family element or less	With WTC	Other ²	
-----Millions-----				-----Thousands-----							
11 Jul 2003	5.5	0.1	5.6	1.4	4,190	1,465	647	1,851	45	121	60
3 Oct 2003	5.7	0.2	5.9	1.4	4,499	1,481	663	1,934	49	200	173
5 Jan 2004 ³	5.9	0.2	6.1	1.4	4,640	1,548	687	1,973	51	215	166
5 Apr 2004 ³	6.0	0.2	6.2	1.4	4,768	1,589	704	2,013	54	235	172
5 Jul 2004 ⁴	6.1	0.3	6.3	1.4	4,890	2,350		2,020	70	250	210

Note: For each reference date, families are allocated to columns according to their awards, modelled on their circumstances and incomes reported and processed by that date. Families can therefore appear in different columns at various dates.

¹ These numbers do not fall under National Statistics. They include families with children receiving out-of-work benefits, estimates for which are based on the numbers each quarter up to February 2004, projections forward to later quarters, and interpolations for the dates shown. These numbers, and the totals including them, are therefore heavily rounded. They also include out of work families receiving CTC but not these benefits. See the Introduction.

² Claimed, and eligible for, CTC or WTC at the reference date, but with zero awards based on their circumstances at that date and their annual income so far reported. These families may have positive awards at other times in the year, based on their circumstances then, and may finally qualify for positive annual awards based on all their circumstances in the year and their current year incomes.

³ The estimates for families not in work, and hence of total families covered, have been reassessed compared with the previous issue to take into account data on families with children receiving benefits at February 2004.

⁴ See the Introduction for the reasons why the amount of detail has been reduced and the figures more heavily rounded.

Table 2.1 Families with CTC or WTC awards, or with children and receiving out-of-work benefits, by whether in work.

	Total	In work at reference date	Not in work at reference date ¹
Millions			
Total			
Total with awards ²	6.3	4.9	1.4
Recipients ²	6.1	4.6	1.4
Others with awards ³	0.3	0.3	-
Families with children receiving benefits but not CTC ²	1.0	-	1.0
Thousands			
With CTC or WTC awards			
Total with awards	5,300	4,890	410
Recipients	5,010	4,610	410
Others with awards ³	280	280	-

¹ Including such families receiving CTC (some of which also receive out-of-work benefits) and those not receiving CTC but receiving out-of-work benefits.

² These numbers do not fall under National Statistics. The estimate for families receiving out-of-work benefits but not CTC is based on the total number receiving these benefits at February 2004, projected forward to the reference date, less an estimate of the number receiving both CTC and these benefits at the reference date. This number, and the totals including it, are therefore heavily rounded. See the Introduction.

³ Claimed, and eligible for, CTC or WTC at the reference date, but with zero awards based on their circumstances at that date and their annual income so far reported. These families may have positive awards at other times in the year, based on their circumstances then, and may finally qualify for positive annual awards based on all their circumstances in the year and their current year incomes.

Table 2.2 Couples and single adults with CTC or WTC awards, or with children and receiving out-of-work benefits, and numbers of children.

	Families with awards			Number of children in families with awards
	Total	Couples	Singles	
All families				
-----Millions-----				
Total with awards ¹	6.3	3.9	2.4	10.6
Total recipients	6.1	3.8	2.3	10.5
Not in work ¹	1.4	0.4	1.1	2.7
In work with awards	4.9	3.6	1.3	7.9
In work recipients	4.6	3.4	1.2	7.8
Families with children				
Total with awards ¹	6.1	3.9	2.2	10.6
Total recipients	5.8	3.7	2.1	10.5
Not in work ¹	1.4	0.4	1.1	2.7
In work with awards	4.4	3.4	1.1	7.9
In work recipients	4.4	3.3	1.1	7.8
In work families				
-----Thousands-----				
In work with awards	4,890	3,580	1,310	7,890
With children	4,430	3,390	1,050	7,890
No children	460	190	260	-
In work recipients	4,610	3,390	1,220	7,760
With children	4,360	3,320	1,050	7,760
Receiving WTC ² and CTC	} 2,350	1,400	940	4,500
Receiving CTC only				
More than family element	} 2,020	1,910	100	3,260
Family element				
Less than family element	250	80	170	-
No children (receiving WTC only)				
Others in work with awards ³	280	190	90	130
With children	70	70	-	130
No children	210	110	90	-

¹ These numbers do not fall under National Statistics. They include families with children receiving out-of-work benefits, estimates for which are based on the numbers at February 2004, projected forward to the reference date. These numbers, and the totals including them, are therefore heavily rounded. They also include out of work families receiving CTC but not these benefits. See the Introduction.

² Includes 60 thousand families (30 thousand couples and 30 thousand singles) whose WTC is less than or equal to the childcare element and is therefore all paid together with CTC.

³ Claimed, and eligible for, CTC or WTC at the reference date, but with zero awards based on their circumstances at that date and their annual income reported by that date. These families may have positive awards at other times in the year, based on their circumstances then, and may finally qualify for positive annual awards based on all their circumstances in the year and their current year incomes.

Table 3.1 In-work families benefiting from elements of CTC and WTC

	<i>Thousands</i>
Number of families benefiting from:	
Family element, baby addition ¹	320
Disabled child element ²	110
Severely disabled child element ²	50
30 hour element ²	1,930
Disabled worker element ²	80
Severely disabled adult element ²	50
Childcare element ²	340
Couples	120
Singles	220

¹ Families modelled as having positive CTC awards and with a child aged under 1 at the reference date. Excludes families with babies whose awards did not reflect the baby, or who had no award, at the reference date but whose final annual award will include a baby addition starting by that date. They have three months to report the baby and benefit in full. In addition, about 130,000 out of work families received the higher level of support for such children through benefits (*this is an estimate projected forward from February 2004, and does not fall under National Statistics*).

² Those claiming the element and with modelled CTC above the family element level or, if no children, with positive modelled WTC.

Technical note: Entitlement and level of receipt

Current entitlement

There is a single claim form covering both Child and Working Tax Credits, and entitlement is calculated jointly. Awards run to the end of the tax year, and are based on the element values, thresholds, etc shown at Appendix B.

An annual award is calculated by summing the various elements to which the family is entitled and reducing the resulting maximum award if the family's annual income (see below) exceeds the first income threshold. The reduction is 37 per cent of the excess over the threshold. Awards of CTC are not, however, reduced below the level of the family element unless the annual income exceeds the second threshold of £50,000. Once the income exceeds the second threshold the award is further reduced by £1 for every £15 of income over the threshold.

Annual income and tapering of awards

For 2004-05 awards, the initial calculation of a family's entitlement is based on its relevant income in 2003-04, which is reported for the final calculation of the 2003-04 award or on the claim form. For families with 2003-04 awards who had not reported their 2003-04 incomes by the reference date, 2001-02 incomes were used in their place. Relevant income comprises gross annual taxable income from social security benefits (except pensions) and from employment or self employment, less pension contributions; plus annual income from savings, property, state and private pensions and other sources (but excluding maintenance) in excess of £300. For claims by couples, entitlement is based on their joint annual income.

Final entitlement for 2004-05 is based on 2004-05 income if that is lower than the income in 2003-04, or exceeds it by more than £2,500. However, the first £2,500 of a rise in income in 2004-05 (compared with 2003-04) is disregarded in calculating the tax credit due for that year. The family can report an estimate of its income in 2004-05 at any time, and the award will be recalculated using this income. After the end of the year the award is finalised when the 2004-05 income is known.

Changes of circumstances

A family's circumstances (number of children, hours worked, childcare costs, disabilities etc) can change within the year. To calculate the annual award, the year is then split into the periods between which the family's circumstances changed. Entitlement is calculated for each period, based on the annual values shown in Appendix B but scaled down to the number of days in the period. The rate of entitlement attributed to each case for this publication is that for the period spanning the reference date.

Backdating

Initial claims can be backdated by up to three months. Changes of circumstance that can potentially increase the value of awards are backdated to when they occurred, or to a date three months before they were reported, whichever is later. Changes that can potentially reduce the value of awards are backdated to when they occurred. However, none of these backdated changes affect the figures in these tables, which are for the reference date and based on information taken into account by the reference date.

Receipt of CTC and WTC awards, and level of CTC

The rate of receipt attributed to each sample family for these tables is the entitlement modelled using the information on circumstances and income taken into account by the reference date.

This may not equal the actual amount being received. This can be reduced to eliminate or minimise prospective overpayments for the year, or to recover previous years' overpayments (overpayments can arise when backdated changes of circumstances that reduce awards, or higher incomes, are reported).

Families without children can only receive WTC. Out-of-work families with children can only receive CTC. The maximum award (before tapering) of in-work families with children includes both WTC and CTC. The tapering is deemed to reduce WTC first, so families for which the reduction through tapering exceeds the modelled level of WTC are shown as receiving CTC only.

Appendix A: Sampling method and sampling error

The tables are based on a random sample of families with CTC or WTC awards at the reference date. The sample comprises 10 per cent of such single adults (with or without children) and 20 per cent of such couples. Each figure in the tables is derived by weighting the relevant sample cases by the inverses of these sampling fractions¹.

The figures in the tables are therefore estimates, but we know how accurate they are. For example, suppose that there are 100,000 couples with a characteristic. This number is not known, and we are to estimate it via the sample. Each couple is sampled with a probability of 0.2. Statistical theory says that there is a 95 per cent probability that the number sampled will lie between 19,752 and 20,248, and that the resulting estimate will lie between 98,760 and 101,240. At least approximately, then, where an estimate of 100,000 is derived from the sample, the true figure lies between these figures, with a 95 per cent probability. That is, the "95 per cent confidence interval" for the estimate is the estimate itself plus or minus 1,240.

The width of the confidence interval varies with the size of the estimate and the sampling fraction, as shown in the table below. For estimates that comprise a mixture of couples and single adults, the figures will lie between the two sets shown, according to the mix.

Confidence intervals for estimates of families with CTC or WTC awards				
Estimated value	95% confidence interval		As % of the estimate	
	Couples	Single adults	Couples	Single adults
'000	'000	'000		
1	± 0.1	± 0.2	± 12%	± 19%
2	± 0.2	± 0.3	± 8%	± 12%
5	± 0.3	± 0.4	± 6%	± 8%
10	± 0.4	± 0.6	± 4%	± 6%
25	± 0.6	± 0.9	± 2.5%	± 4%
50	± 0.9	± 1.3	± 1.8%	± 2.6%
100	± 1.2	± 1.9	± 1.2%	± 1.9%
250	± 2.0	± 2.9	± 0.8%	± 1.2%
500	± 2.8	± 4.2	± 0.6%	± 0.8%
1,000	± 3.9	± 5.9	± 0.4%	± 0.6%

¹ Each case is further weighted so that the overall total equals an independent count of families with awards.

Appendix B: CTC and WTC elements and thresholds

	Annual rate (£), except where specified	
	2003-04	2004-05
Child Tax Credit		
Family element	545	545
Family element, baby addition ¹	545	545
Child element ²	1,445	1,625
Disabled child additional element ³	2,155	2,215
Severely disabled child additional element ⁴	865	890
Working Tax Credit		
Basic element	1,525	1,570
Couples and lone parent element	1,500	1,545
30 hour element ⁵	620	640
Disabled worker element	2,040	100
Severely disabled adult element	865	890
50+ return to work payment ⁶		
16 but less than 30 hours per week	1,045	1,075
at least 30 hours per week	1,565	1,610
Childcare element		
Maximum eligible costs allowed (£ per week)		
Eligible costs incurred for 1 child	135	135
Eligible costs incurred for 2+ children	200	200
<i>Percentage of eligible costs covered</i>	70%	70%
Common features		
First income threshold ⁷	5,060	5,060
<i>First withdrawal rate</i>	37%	37%
Second income threshold ⁸	50,000	50,000
<i>Second withdrawal rate</i>	1 in 15	1 in 15
First income threshold for those entitled to Child Tax Credit only ⁹	13,230	13,480
Income increase disregard	2,500	2,500
Minimum award payable	26	26

¹ Payable to families for any period during which they have one or more children aged under 1.

² Payable for each child up to 31 August after their 16th birthday, and for each young person for any period in which they are aged under 19 and in full-time non-advanced education, or under 18 and in their first 20 weeks of registration with the Careers service or Connexions.

³ Payable in addition to the child element for each disabled child.

⁴ Payable in addition to the disabled child element for each severely disabled child.

⁵ Payable for any period during which normal hours worked (for a couple, summed over the two partners) is at least 30 per week.

⁶ Payable for each qualifying adult for the first 12 months following a return to work after 5 April 2003.

⁷ Income is net of pension contributions, and excludes Child Benefit, Housing benefit, Council tax benefit, maintenance and the first £300 of family income other than from work or benefits. The award is reduced by the excess of income over the first threshold, multiplied by the first withdrawal rate.

⁸ For those entitled to the Child Tax Credit, the award is reduced only down to the family element, plus the baby addition where relevant, less the excess of income over the second threshold multiplied by the second withdrawal rate.

⁹ Those also receiving Income Support, income-based Jobseeker's Allowance or Pension Credit are passported to maximum CTC with no tapering.