



HM REVENUE AND CUSTOMS
Analysis Team

**Child and Working Tax Credits
Statistics**

**Finalised awards
2003-04**

**Supplement on payments in
2003-04**



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Child and Working Tax Credits Statistics

Finalised awards 2003-04

Supplement on payments in 2003-04

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Introduction

The main publication, "Child and Working Tax Credits Statistics. Finalised Awards 2003-04", shows the types of families with periods of positive¹ entitlements to tax credits awards in 2003-04, the elements from which they benefited, and the levels of their entitlements. It describes "finalised" awards - defined here as those based on the families' circumstances and incomes in 2003-04 as reported by 5 April 2005.

This supplementary publication shows how much was actually paid out in 2003-04, and how this compares with the final entitlement for each award. All 2003-04 awards are covered, even those with no entitlement for the year. Where the net amount paid in 2003-04 is less than the final entitlement, the award is said to be "underpaid" at 5 April 2004; where it exceeds the final entitlement the award is said to be "overpaid". Note however that the level of underpayment or overpayment is a retrospective figure. It is known only after awards are finalised.

How overpayments and underpayments arise

As entitlement to CTC and WTC can only be finally established after the end of the year, underpayments and overpayments occur under the normal operation of the tax credits system.

Thus, in a claim for 2003-04, the claimants reported their current circumstances (hours worked, number of children, disabilities, childcare costs) and their income in 2001-02. An initial 2003-04 award was calculated based on this information and a regular payments schedule set up to pay this amount by 5 April 2004.

Families were encouraged to report any changes in their circumstances or income when they occurred. When such a change was reported before the end of the year, payments were adjusted so that the new entitlement was paid over by 5 April 2004. However, this was not possible if the new entitlement was lower than the amount already paid by the time that the change was reported; these families were overpaid at 5 April 2004 on the basis of information reported by that date.

In 2004-05 families had to confirm, or report changes to, these details and report their actual 2003-04 income. The awards were then finalised.

Most underpayments at 5 April 2004 arose when drops in income between 2001-02 and 2003-04 were not reported until 2004-05. Overpayments could arise when there was a delay in reporting changes of circumstances; or when the 2003-04 income was more than £2,500 higher than the 2001-02 income² but no estimate was reported before the end of 2003-04 (or not soon enough to prevent an overpayment). Underpayments and overpayments could also arise through official error.

Repayments of underpayments, and overpayment recovery

Underpayments identified in 2004-05 were repaid as lump sums. Overpayments are recovered by reducing future payments, or by seeking direct payment where there is no ongoing entitlement. For further details, see the HMRC Code of Practice 26, "What happens when we have paid you too much tax credits?" This also explains the writing off of overpayments arising from official error.

¹ That is, excluding families for periods when their incomes tapered their awards to zero

² Initial awards were based on 2001-02 incomes. The first £2,500 of any increase in income between then and 2003-04 was however disregarded.

Differences in payments totals

This publication is based on an analysis of the net payments in 2003-04, and the 2003-04 entitlement, as recorded on the computer record for each case in the sample (see below). It is generally these records that are used to repay underpayments and recover overpayments. The grossed up sum of the net payments does not equal the net amount paid in 2003-04 implied by the Departmental accounts. There are various reasons for this, including sampling uncertainty in the grossed-up payments total; transactions not yet transferred to the computer record; and transactions being recorded at different times in the two systems.

Small underpayments and overpayments

The distribution of underpayments and overpayments by size shows particularly large numbers under £10 over 2003-04 - around 120 thousand and 40 thousand respectively. This concentration arose from rounding and other technical features of the award calculation. To provide the most meaningful figures to users, they have been treated as technical adjustments, rather than as underpayments and overpayments, here.

Families and awards

Tax credits awards are made to single adults or couples. The main publication describes all awards current at snapshot dates or the average number current in the year. As no adult can be in more than one current award, the number of positive awards at a date, or the annual average, is the same as the number of benefiting families

However, the tables in this supplementary publication cover all 2003-04 awards. When a couple breaks up, or a single adult becomes part of a couple, the award ceases. If the new family has a new award, both awards are included in the tables. So adults can be counted more than once.

To give some information on families, however, several tables distinguish between (a) families with awards current at 5 April 2004 and (B) other awards. The latter comprises awards ceased by 5 April 2004 or awarded in 2004-05.

The coverage of out-of-work families with children

The tables in the main publication distinguish between families that are in work (one of the adults, or the single adult, works for at least 16 hours per week) and out of work families. This is not possible in this publication as an underpayment or overpayment is for the year as a whole and cannot generally be split between periods in and out of work. So the figures include awards to families who were out of work for all or part of the year.

Sample basis of the estimates

The figures are estimates based on a sample of 10 per cent of single adults and 20 per cent of couples with awards in 2003-04. Appendix A shows how to find the sampling uncertainties associated with the figures shown in these tables.

Geographical analyses

A separate supplement to this publication gives a geographical breakdown of the number of 2003-04 awards with underpayments and overpayments.

Table 1 Finalised 2003-04 awards; aggregate entitlement, payments and whether underpaid or overpaid at 5 April 2004

	Awards (thousands)	Entitlement for 2003-04 (£ million)	Net paid in 2003-04 (£ million)	Net overpayment at 5 April 2004 (£ million)
Awards underpaid ¹	713	2,191	1,727	-464
Awards neither underpaid nor overpaid	3,078	5,332	5,332	0
Awards overpaid ¹	1,879	4,539	6,470	1,931
Total 2003-04 awards made	5,670	12,062	13,529²	1,468

¹ Awards with underpayments or overpayments under £10 are counted as neither underpaid nor overpaid in this publication. See "Small underpayments and overpayments" in the Introduction.

² The figures in this publication are for the entitlement year 2003-04, which ended on 5 April 2004. The 2003-04 Inland Revenue Trust Statement showed net tax credits payments of £13,492 million for the period 6 April 2003 to 31 March 2004. It is estimated that around £180 million was paid during 1-5 April 2004. This implies that the amount paid in the year to 6 April 2004 was higher than this figure, which is the grossed-up amount recorded in the computer records of the sample cases used to produce this publication. See "Differences in payments totals" in the Introduction.

Table 2 Families with finalised 2003-04 awards underpaid or overpaid at 5 April 2004

	Awards (thousands)	Net overpayment (£ million)
Awards underpaid¹		
Families with awards at 5 April 2004	556	-384
Other awards ²	156	-80
Total	713	-464
Awards overpaid¹		
Families with awards at 5 April 2004	1,587	1,727
Other awards ²	293	205
Total	1,879	1,931

¹ See footnote to Table 1.2

² Awards not made, or ceased, by 5 April 2004. Based on information reported by 5 April 2004

Note. The level of under or overpayment at 5 April 2004 for each award is based on the 2003-04 entitlement calculated from the family's circumstances and income in 2003-04 reported by April 2005.

Table 3 Finalised 2003-04 awards underpaid or overpaid at 5 April 2004, by size of under or overpayment

	Underpaid awards ¹ (thousands)	Underpayment at 5 April 2004 (£ million)	Overpaid awards ¹ (thousands)	Overpayment at 5 April 2004 (£ million)
Band of underpayment or overpayment				
All awards				
Up to £50	82	2	134	4
£50 to £100	81	6	121	9
£100 to £200	111	16	193	28
£200 to £500	170	56	414	141
£500 to £1,000	124	88	388	280
£1,000 to £2,000	92	129	347	493
£2,000 to £5,000	47	136	243	725
Over £5,000	5	29	40	252
Total	713	464	1,879	1,931
Families with awards at 5 April 2004				
Up to £50	68	2	85	2
£50 to £100	58	4	91	7
£100 to £200	79	12	155	23
£200 to £500	132	44	350	119
£500 to £1,000	98	70	339	244
£1,000 to £2,000	75	106	309	439
£2,000 to £5,000	41	120	221	662
Over £5,000	4	26	37	231
Total	556	384	1,587	1,727
Other awards²				
Up to £50	14	1	49	1
£50 to £100	24	2	30	2
£100 to £200	32	5	38	5
£200 to £500	38	12	64	21
£500 to £1,000	26	18	49	35
£1,000 to £2,000	17	23	38	54
£2,000 to £5,000	6	17	22	63
Over £5,000	1	3	3	21
Total	156	80	293	205

¹ Excluding awards with underpayments or overpayments under £10. See "Small underpayments and overpayments" in the introduction.

² Awards not made, or ceased, by 5 April 2004.

Note. The level of under or overpayment at 5 April 2004 for each award is based on the 2003-04 entitlement calculated from the family's circumstances and income in 2003-04 reported by April 2005.

Table 4 Finalised 2003-04 awards underpaid or overpaid at 5 April 2004, by position on profile at that date

	Underpaid awards ¹ (thousands)	Underpayment at 5 April 2004 (£ million)	Overpaid awards ¹ (thousands)	Overpayment at 5 April 2004 (£ million)
All families				
Positive awards				
Not in work with children ²	37	20	81	72
In work with children				
WTC and CTC	253	155	721	990
CTC only, more than family element	119	111	415	387
CTC family element	60	63	182	172
CTC, less than family element	35	8	63	19
No children (WTC only)	37	16	83	65
Award tapered to zero	16	10	42	22
Award ceased by 5 April 2004	25	18	291	202
Award not made by 5 April 2004 ³	132	62	2	3
Total	713	464	1,879	1,931
Singles				
Positive awards				
Not in work with children ²	19	9	45	39
In work with children				
WTC and CTC	132	77	308	327
CTC only, more than family element	17	14	43	32
CTC family element	4	5	10	8
CTC, less than family element	0	0	0	0
No children (WTC only)	23	9	50	32
Award tapered to zero	4	3	13	8
Award ceased by 5 April 2004	12	8	122	104
Award not made by 5 April 2004 ³	51	27	0	0
Total	262	151	592	550
Couples				
Positive awards				
Not in work with children ²	18	11	36	33
In work with children				
WTC and CTC	121	78	413	663
CTC only, more than family element	102	97	372	354
CTC family element	56	58	172	164
CTC, less than family element	34	8	62	19
No children (WTC only)	14	8	33	33
Award tapered to zero	12	7	29	14
Award ceased by 5 April 2004	12	10	169	98
Award not made by 5 April 2004 ³	81	34	2	3
Total	450	312	1,288	1,381

¹ Excluding awards with underpayments or overpayments under £10. See "Small underpayments and overpayments" in the introduction.

² Excluding where child support is provided through benefits at 5 April 2004. See the Introduction.

³ Includes awards deleted by 5 April 2004 but later reinstated (hence some overpaid awards).

Note. The level of under or overpayment at 5 April 2004 for each award is based on the 2003-04 entitlement calculated from the family's circumstances and income in 2003-04 reported by April 2005.

Table 5 Finalised 2003-04 awards underpaid or overpaid at 5 April 2004, by band of family income

	Underpaid awards ¹ (thousands)	Underpayment at 5 April 2004 (£ million)	Overpaid awards ¹ (thousands)	Overpayment at 5 April 2004 (£ million)
2003-04 income band²				
All awards				
Up to £5,000	106	92	134	139
£5,000 to £10,000	184	144	249	195
£10,000 to £15,000	138	104	294	261
£15,000 to £20,000	96	59	279	315
£20,000 to £30,000	84	33	454	591
£30,000 to £40,000	29	6	149	216
£40,000 to £50,000	28	5	40	62
Over £50,000	23	3	129	62
Not known ³	24	17	153	90
Total	713	464	1,879	1,931
Families with awards at 5 April 2004				
Up to £5,000	80	72	102	105
£5,000 to £10,000	156	124	207	155
£10,000 to £15,000	117	91	265	237
£15,000 to £20,000	81	52	261	301
£20,000 to £30,000	60	28	433	579
£30,000 to £40,000	15	4	139	212
£40,000 to £50,000	20	4	36	61
Over £50,000	19	3	126	61
Not known ³	9	7	17	17
Total	556	384	1,587	1,727
Other awards⁴				
Up to £5,000	26	20	32	34
£5,000 to £10,000	28	21	42	39
£10,000 to £15,000	21	14	29	24
£15,000 to £20,000	15	7	18	14
£20,000 to £30,000	24	5	21	13
£30,000 to £40,000	15	2	10	4
£40,000 to £50,000	9	1	4	1
Over £50,000	4	0	2	1
Not known ³	15	9	136	74
Total	156	80	293	205

¹ Excluding awards with underpayments or overpayments under £10. See "Small underpayments and overpayments" in the Introduction.

² For families not reporting 2003-04 incomes they are assumed to fall into the same bands as in 2001-02 for this table. These include "auto-renewal" families with awards at the family element of CTC, or tapered to zero, and who had to report 2003-04 incomes only if it would affect the entitlement.

³ Comprises families receiving out of work benefits not required to report incomes; and others, apart from "auto-renewal" cases, not reporting their 2003-04 incomes by April 2005, so their 2003-04 entitlement was still calculated using 2001-02 incomes.

⁴ Awards not made, or ceased, by 5 April 2004. Based on information reported by 5 April 2004.

Note. The level of under or overpayment at 5 April 2004 for each award is based on the 2003-04 entitlement calculated from the family's circumstances and income in 2003-04 reported by April 2005.

Table 6 Finalised 2003-04 awards underpaid or overpaid at 5 April 2004, by combination of bands of family income in 2001-02 and 2003-04

Thousands

	2001-02 income band							Over £50,000	Total
	Under £5,000	£5,000 to £10,000	£10,000 to £15,000	£15,000 to £20,000	£20,000 to £30,000	£30,000 to £40,000	£40,000 to £50,000		
2003-04 income band¹									
All awards									
Under £5,000	404	89	26	10	7	2	1	1	542
£5,000 to £10,000	233	383	77	30	18	5	2	2	749
£10,000 to £15,000	80	149	308	58	44	9	3	3	653
£15,000 to £20,000	36	36	131	243	73	23	6	3	551
£20,000 to £30,000	35	22	54	177	843	84	31	25	1,271
£30,000 to £40,000	12	5	10	20	127	631	45	46	896
£40,000 to £50,000	4	1	2	4	15	53	279	51	409
Over £50,000	2	1	1	2	5	15	58	158	242
Not known ²	170	37	28	24	47	31	13	6	356
Total	978	723	638	566	1,180	852	436	296	5,670
Awards underpaid at 5 April 2004³									
Under £5,000	44	39	13	5	3	1	0	0	106
£5,000 to £10,000	28	91	39	14	8	2	1	1	184
£10,000 to £15,000	9	14	63	28	17	4	2	1	138
£15,000 to £20,000	2	2	8	45	28	7	2	1	96
£20,000 to £30,000	1	1	2	6	56	9	4	5	84
£30,000 to £40,000	0	0	0	0	3	17	2	7	29
£40,000 to £50,000	0	0	0	0	0	2	9	17	28
Over £50,000	0	0	0	0	0	1	3	19	23
Not known	17	3	2	1	1	0	0	0	24
Total	102	149	126	100	118	43	22	52	713
Neither underpaid nor overpaid									
Under £5,000	259	28	8	3	3	1	0	1	302
£5,000 to £10,000	114	182	11	5	2	1	0	0	316
£10,000 to £15,000	6	41	158	6	8	1	0	0	221
£15,000 to £20,000	1	1	31	126	10	5	1	1	176
£20,000 to £30,000	2	1	1	38	615	51	15	11	734
£30,000 to £40,000	1	0	0	3	71	576	38	29	718
£40,000 to £50,000	1	0	0	1	8	44	258	29	341
Over £50,000	0	0	0	0	1	4	16	69	91
Not known ²	101	9	8	9	23	17	7	5	179
Total	485	262	217	192	742	700	335	146	3,078
Awards overpaid at 5 April 2004³									
Under £5,000	102	22	6	2	1	0	0	0	134
£5,000 to £10,000	91	111	27	10	7	1	1	1	249
£10,000 to £15,000	65	94	87	24	18	4	1	1	294
£15,000 to £20,000	32	33	93	71	35	11	3	2	279
£20,000 to £30,000	32	21	51	132	172	25	12	8	454
£30,000 to £40,000	11	5	9	16	52	38	6	10	149
£40,000 to £50,000	4	1	2	3	7	7	12	5	40
Over £50,000	2	1	1	2	4	10	39	70	129
Not known ²	52	25	19	14	23	13	6	1	153
Total	391	313	295	274	320	109	79	98	1,879

¹ For some families not reporting 2003-04 incomes they are assumed to fall into the same bands as in 2001-02. These include families with awards at the family element of Child Tax Credit, or tapered to zero, and who had to report 2003-04 incomes only if t

³ Comprises certain families receiving out of work benefits not required to report incomes, and those not reporting their 2003-04 incomes by April 2005, so their 2003-04 entitlement was still calculated using 2001-02 incomes.

³ Excluding awards with underpayments or overpayments under £10. See "Small underpayments and overpayments" in the Introduction.

Note. The level of under or overpayment at 5 April 2004 for each award is based on the 2003-04 entitlement calculated from the family's circumstances and income in 2003-04 reported by April 2005.

Appendix A : Sampling uncertainty

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 : 2003-04 tax credit elements and thresholds

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