



HM REVENUE AND CUSTOMS

Analysis Team

**Child and Working Tax Credits
Statistics**

**Finalised awards
2004-05**

**Supplement on payments in
2004-05**



A National Statistics Publication

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This issue, and the issue for 2003-04, can be found on the HM Revenue and Customs web site:

<http://www.hmrc.gov.uk/stats/personal-tax-credits/menu.htm>

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Child and Working Tax Credits Statistics

Finalised awards 2004-05

Supplement on payments in 2004-05

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Introduction

The main publication, "Child and Working Tax Credits Statistics. Finalised Awards 2004-05", shows the average number of families with positive¹ entitlements to tax credits awards during 2004-05, the elements from which they benefited, and the levels of their entitlements. The figures are based on "finalised" awards - those based on the families' circumstances and incomes as reported by early April 2006.

The tables in this publication show the number of 2004-05 awards, analysed by whether payments etc² for 2004-05 and issued in 2004-05 were lower or higher than the finalised entitlement. Such awards are described as underpaid or overpaid at 5 April 2005, respectively. Note that this is known only after awards are finalised.

How overpayments and underpayments arise

During 2004-05, payments were based on the latest information reported on the family's circumstances (hours worked, number of children, disabilities, childcare costs) and income. Families were encouraged to report any changes when they occurred, and in-year estimates of 2004-05 incomes. Payments were then adjusted so that, as far as possible, the new calculated annual entitlement was paid over by 5 April 2005.

Most underpayments and overpayments arose through no 2004-05 incomes being reported until finalisation in 2005-06³. They also arose when claimants failed to report changes of circumstances until after the year end; or when changes (or estimated 2004-05 incomes) reducing entitlement were reported in-year but there was insufficient time to reduce payments in the rest of the year to prevent an overpayment. They could also arise through official error.

Terminated awards

2004-05 awards are described as "Terminated" if their entitlements were set to zero because (a) families failed to report by the specified date their actual 2003-04 incomes or other details, (b) according to the latest information, they ceased to meet the qualifying conditions for tax credits⁴ before the start of 2004-05, or (c) families failed to return a signed 2004-05 award notice.

Terminated awards are included in the tables if payments for 2004-05 were made during 2004-05, and not fully recovered (and not remitted) in 2004-05; they are by definition overpaid at 5 April 2005.

Repayments of underpayments, and overpayment recovery

Underpayments are repaid as lump sums. Overpayments are recovered by reducing future payments, or directly if there are no current payments. For further details, see the HMRC Code of Practice 26, "What happens when we have paid you too much tax credits?" This also explains remitting overpayments arising from official error.

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

² Payments are scored after adding back reductions made to recover 2003-4 overpayments. Other transactions include the in-year direct recovery and remission of 2004-05 overpayments.

³ Initial awards were based on 2003-04 incomes. The first £2,500 of any increase in income between then and 2004-05 was however disregarded.

⁴ Responsible for children; or including an adult who was a disabled worker, returned to work in the last year aged 50+, or was aged 25+ and worked for 30+ hours per week.

Disputed overpayments, remissions and recovery suspension

Overpayments remitted due to official error are included in the tables unless remitted by 5 April 2005. The recovery of overpayments can also be suspended pending investigations or decisions; these overpayments are included in the tables even if the suspension was active at 5 April 2005.

Overpayments arising after the year end, and from unposted payments

The data used to compile the main tables exclude (a) manual payments issued in 2004-05 but not posted to customer accounts by 5 April 2006 and (b) payments and other transactions for 2004-05 made after that date .

Aggregates including these transaction, and the equivalent figures for 2003-04, are shown in the Main Aggregates page of this publication. They are not measures of overpayments at 5 April at the end of each year. Rather, they approximate the extent to which amounts paid on or after that date exceed the finalised entitlements. The figures are heavily rounded, reflecting the fact that they are approximate. They fall outside National Statistics.

Small underpayments and overpayments

35 thousand awards were underpaid, and 135 thousand overpaid, by less than £10 (excluding amounts under £1). Many of these amounts arose from rounding within the award calculation and payment. We have judged that users would prefer the figures of underpaid and overpaid awards to exclude these cases.

Families and awards

Tax credits awards are made to single adults or couples. No adult can be in more than one current award; when a couple breaks up, or a single adult becomes part of a couple, the award ceases and either or both adults can apply for new awards.

The main publication shows the average number of benefiting families in 2004-05, which is the same as the number of awards with positive entitlement averaged over the year. These tables cover all 2004-05 awards, so individuals can be represented more than once.

To give some information on families, however, several tables distinguish between (a) families with awards current at 5 April 2005 and (b) other awards. The latter comprises awards terminated, ceased by 5 April 2005, or made only in 2005-06 and backdated.

The coverage of out-of-work families with children

The tables in the main publication distinguish between in-work and out of work families. This is not possible here, as an underpayment or overpayment is for the year as a whole and cannot be split between periods in and out of work. So the figures include awards to families out of work for all or part of the year.

Geographical analyses

A separate publication gives analyses by region, local authority and parliamentary constituency, of the number of 2004-05 awards with underpayments and overpayments and their values.

Main aggregates

The figures in the top section of the following table relate to underpayments and overpayments in finalised 2004-05 awards at 5 April 2005 as recorded on the tax credits computer system, and the equivalent figures for 2003-04. More details are shown in the later tables.

The figures of overpayments in the bottom section of the table also take account of certain other transactions. They are approximate, and therefore heavily rounded. No further analysis of these figures appears in the later tables.

	2003-04 awards	2004-05 awards
Underpaid awards¹		
Total ('000)	713	906
Aggregate amount underpaid (£ million)	464	556
Overpaid awards¹		
Terminated awards ² ('000)	30	228
Aggregate amount overpaid (£ million)	8	395
Other awards ('000)	1,849	1,730
Aggregate amount overpaid (£ million)	1,923	1,300
Total ('000)	1,879	1,958
Aggregate amount overpaid (£ million)	1,931	1,695
<i>Transactions excluded from the detailed tables³</i>		
<i>Off-system and late payments increasing overpayments</i>	<i>£0.3bn</i>	<i>£0.1bn</i>
<i>Total overpayments including these transactions³</i>		
<i>Terminated awards²</i>	<i>-</i>	<i>£0.4bn</i>
<i>Other awards</i>	<i>£2.2bn</i>	<i>£1.4bn</i>
<i>Total overpayments</i>	<i>£2.2bn</i>	<i>£1.8bn</i>

¹ Excluding awards underpaid or overpaid by less than £10

² See "Terminated awards" in the Introduction. The main classes of terminated awards are those for which the family failed to report, by the specified date, the actual previous year's income or other details; or the latest information indicates that the family ceased to meet the qualifying conditions for tax credits at a date before the start of the year. The first reason did not apply to 2003-04 awards, and the second reason applied to few such awards with overpayments.

³ See "Overpayments arising after the year end, and from unposted payments" in the Introduction. These figures fall outside National Statistics

Table 1 Finalised 2004-05 awards; aggregate entitlement, payments and whether underpaid or overpaid at 5 April 2005

	Awards (thousands)	Entitlement for 2004-05 (£ million)	Net paid ¹ in 2004-05 (£ million)	Net overpayment at 5 April 2005 (£ million)
Awards underpaid²				
Made after 5 April 2005 and backdated	143	66	-	-66
Other	763	2,942	2,452	-490
Total	906	3,008	2,452	-556
Awards neither underpaid nor overpaid	3,594	7,261	7,261	-
Awards overpaid²				
Terminated ³	228	-	395	395
Other	1,730	4,049	5,350	1,300
Total³	1,958	4,049	5,745	1,696
Total 2004-05 awards made³	6,458	14,318	15,458	1,140

¹ After adding back reductions to recover 2003-04 overpayments. Net of repayments and remissions.

² 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.

³ Excluding terminated awards with no overpayment at 5 April 2005. See the Introduction.

Table 2 Families with finalised 2004-05 awards underpaid or overpaid at 5 April 2005

	Awards (thousands)	Net overpayment (£ million)
Awards underpaid¹		
Families with awards at 5 April 2005	728	-454
Awards made after 5 April 2005 and backdated	143	-66
Awards ceased during 2004-05	35	-36
Total	906	-556
Awards overpaid¹		
Terminated awards	228	395
Families with awards at 5 April 2005	1,444	1,156
Awards ceased during 2004-05	285	144
Total	1,958	1,695

¹ See footnote 2 to Table 1

Note. The level of under or overpayment at 5 April 2005 for each award is based on the 2004-05 entitlement calculated from the family's circumstances and income in 2004-05 reported by April 2006.

Table 3 Finalised 2004-05 awards underpaid or overpaid at 5 April 2005, by size of under or overpayment

	Underpaid awards ¹ (thousands)	Underpayment at 5 April 2005 (£ million)	Overpaid awards ¹ (thousands)	Overpayment at 5 April 2005 (£ million)
Band of underpayment or overpayment				
All awards				
Up to £50	118	3	181	5
£50 to £100	107	8	171	13
£100 to £200	147	21	259	38
£200 to £500	219	72	454	150
£500 to £1,000	152	108	364	260
£1,000 to £2,000	102	143	293	414
£2,000 to £5,000	54	157	207	619
Over £5,000	7	43	29	196
Total	906	556	1,958	1,696
Terminated awards				
Up to £50	-	-	4	-
£50 to £100	-	-	8	1
£100 to £200	-	-	20	3
£200 to £500	-	-	43	14
£500 to £1,000	-	-	35	25
£1,000 to £2,000	-	-	44	64
£2,000 to £5,000	-	-	59	186
Over £5,000	-	-	14	103
Total	-	-	228	395
Families with awards at 5 April 2005				
Up to £50	93	3	139	4
£50 to £100	83	6	129	10
£100 to £200	116	17	191	28
£200 to £500	180	59	332	110
£500 to £1,000	123	88	279	200
£1,000 to £2,000	83	117	222	315
£2,000 to £5,000	45	133	138	402
Over £5,000	5	31	14	88
Total	728	454	1,444	1,156
Other awards²				
Up to £50	26	1	39	1
£50 to £100	24	2	34	3
£100 to £200	31	5	47	7
£200 to £500	39	13	78	26
£500 to £1,000	29	20	50	35
£1,000 to £2,000	19	26	26	36
£2,000 to £5,000	9	25	11	31
Over £5,000	2	11	1	6
Total	178	102	285	144

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 2005.

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 2004-05 awards underpaid or overpaid at 5 April 2005, by position on profile at that date (and as assessed at that date)

	Underpaid awards ¹ (thousands)	Underpayment at 5 April 2005 (£ million)	Overpaid awards ¹ (thousands)	Overpayment at 5 April 2005 (£ million)
All families				
Terminated awards ²	-	-	228	395
Positive entitlement at 5/4/05				
Not in work with children	69	35	74	50
In work with children				
WTC and CTC	309	168	517	512
CTC only, more than family element	159	136	330	286
CTC family element	83	75	224	179
CTC, less than family element	32	7	64	18
In work, no children (WTC only)	48	20	95	63
Entitlement at 5/4/05 tapered to zero	28	13	141	49
Awards ceased during 2004-05	35	36	285	144
Awards made after 5/4/05 and backdated	143	66	-	-
Total	906	556	1,958	1,696
Singles				
Terminated awards ²	-	-	111	230
Positive entitlement at 5/4/05				
Not in work with children	39	16	40	24
In work with children				
WTC and CTC	158	72	238	189
CTC only, more than family element	23	17	35	24
CTC family element	6	6	14	10
CTC, less than family element	-	-	-	-
In work, no children (WTC only)	30	10	61	34
Entitlement at 5/4/05 tapered to zero	8	4	38	15
Award ceased during 2004-05	17	14	142	72
Awards made after 5/4/05 and backdated	58	28	-	-
Total	340	168	679	599
Couples				
Terminated awards ²	-	-	117	165
Positive entitlement at 5/4/05				
Not in work with children	30	19	33	26
In work with children				
WTC and CTC	151	95	279	323
CTC only, more than family element	135	119	296	262
CTC family element	77	69	210	169
CTC, less than family element	32	7	63	17
In work, no children (WTC only)	18	10	34	29
Entitlement at 5/4/05 tapered to zero	20	9	103	35
Award ceased during 2004-05	19	22	143	72
Awards made after 5/4/05 and backdated	84	38	-	-
Total	566	388	1,279	1,097

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

² Includes awards terminated after 5 April 2005

Note. The level of under or overpayment at 5 April 2005 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 2004-05 awards underpaid or overpaid at 5 April 2005, by band of family income (excludes terminated awards)

	Underpaid awards ¹ (thousands)	Underpayment at 5 April 2005 (£ million)	Overpaid awards ¹ (thousands)	Overpayment at 5 April 2005 (£ million)
2004-05 income band²				
All awards				
Up to £5,000	131	103	123	91
£5,000 to £10,000	228	160	240	122
£10,000 to £15,000	169	124	289	188
£15,000 to £20,000	126	81	247	212
£20,000 to £30,000	117	51	411	408
£30,000 to £40,000	41	10	153	158
£40,000 to £50,000	31	6	42	44
Over £50,000	29	4	184	60
Not known ²	35	17	40	18
Total	906	556	1,730	1,300
Families with awards at 5 April 2005				
Up to £5,000	100	78	66	59
£5,000 to £10,000	196	133	175	85
£10,000 to £15,000	146	107	243	162
£15,000 to £20,000	109	72	218	195
£20,000 to £30,000	92	44	375	391
£30,000 to £40,000	24	7	136	153
£40,000 to £50,000	21	-	35	43
Over £50,000	23	3	180	59
Not known ²	16	5	15	9
Total	728	454	1,444	1,156
Other awards³				
Up to £5,000	31	26	57	32
£5,000 to £10,000	32	27	65	36
£10,000 to £15,000	22	17	46	26
£15,000 to £20,000	17	9	29	16
£20,000 to £30,000	25	7	36	17
£30,000 to £40,000	16	3	16	5
£40,000 to £50,000	10	1	7	2
Over £50,000	5	1	4	1
Not known ²	19	11	25	9
Total	178	102	285	144

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

² Some families were not required to report their 2004-05 incomes if their 2004-05 entitlements were at the family element level based on their 2003-04 incomes and this would not change based on their 2004-05 incomes. The awards for certain other families were also finalised on 2003-04 incomes where complete 2004-05 income data were not reported (for example, couples who had separated). Awards to these families have been included according to their 2003-04 incomes. Awards are classified to "Not known" if the families reported zero incomes or did not report incomes, for both years. Families receiving out of work benefits for complete years are not required to report incomes for those years.

³ Awards not made, or ceased, by 5 April 2005. Based on information reported by 5 April 2005.

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 2004-05 awards underpaid or overpaid at 5 April 2005, by combination of bands of family income in 2003-04 and 2004-05 (excluding terminated awards)

Thousands

	2003-04 income band								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	Over £50,000	
2004-05 income band¹									
All awards									
Under £5,000	579	94	25	8	5	1	1	-	715
£5,000 to £10,000	191	539	76	20	12	2	1	1	842
£10,000 to £15,000	48	140	444	61	27	5	1	1	726
£15,000 to £20,000	15	27	120	335	72	9	2	1	580
£20,000 to £30,000	9	12	34	146	1,039	71	11	4	1,325
£30,000 to £40,000	3	2	5	11	155	752	40	9	977
£40,000 to £50,000	1	1	1	2	18	85	319	26	452
Over £50,000	1	1	1	1	5	21	70	219	320
Not known ¹	293	-	-	-	-	-	-	-	293
Total	1,140	816	705	584	1,332	947	444	261	6,230
Awards underpaid at 5 April 2005²									
Under £5,000	63	45	13	5	3	1	-	-	131
£5,000 to £10,000	28	133	45	12	7	2	1	-	228
£10,000 to £15,000	9	16	90	34	15	3	1	-	169
£15,000 to £20,000	2	3	12	66	36	5	1	1	126
£20,000 to £30,000	1	1	2	9	88	12	2	1	117
£30,000 to £40,000	-	-	-	-	6	28	3	3	41
£40,000 to £50,000	-	-	-	-	1	4	13	13	31
Over £50,000	-	-	-	-	-	1	4	23	29
Not known ¹	35	-	-	-	-	-	-	-	35
Total	139	199	162	127	156	55	25	43	906
Neither underpaid nor overpaid									
Under £5,000	413	34	8	3	2	-	-	-	461
£5,000 to £10,000	106	257	8	2	1	-	-	-	375
£10,000 to £15,000	5	43	213	5	2	-	-	-	268
£15,000 to £20,000	1	1	33	163	7	1	-	-	207
£20,000 to £30,000	1	-	1	36	712	39	6	1	798
£30,000 to £40,000	1	-	-	2	92	651	32	4	783
£40,000 to £50,000	1	-	-	1	12	70	285	11	379
Over £50,000	-	-	-	-	1	6	21	78	106
Not known ¹	217	-	-	-	-	-	-	-	217
Total	745	335	265	212	829	769	344	94	3,594
Awards overpaid at 5 April 2004²									
Under £5,000	103	15	4	1	1	-	-	-	123
£5,000 to £10,000	57	149	23	6	3	1	-	-	240
£10,000 to £15,000	34	81	141	21	10	1	-	-	289
£15,000 to £20,000	11	23	74	106	29	3	1	-	247
£20,000 to £30,000	7	11	30	100	239	20	3	1	411
£30,000 to £40,000	2	2	4	9	57	73	5	1	153
£40,000 to £50,000	1	-	1	1	5	11	20	2	42
Over £50,000	1	-	1	1	4	14	45	118	184
Not known ²	40	-	-	-	-	-	-	-	40
Total	256	282	278	245	347	123	75	124	1,730

¹ Some families were not required to report their 2004-05 incomes if their 2004-05 entitlements were at the family element level based on their 2003-04 incomes and this would not change based on their 2004-05 incomes. The awards for certain other families were also finalised on 2003-04 incomes where complete 2004-05 income data were not reported (for example, couples who had separated). Awards to these families have been included according to their 2003-04 incomes. Awards are classified to "Not known", and to "Under £5,000" for 2004-05, if the families reported zero incomes, or did not report incomes, for both years. Families receiving out of work benefits for complete years are not required to report incomes for those years.

² 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.

Technical Note

Data source, definition and quality

The figures in the table are derived from a scan of the tax credits computer system, taken in early April 2006. For each 2004-05 award, the scan contained the aggregate of each of (a) 2004-05 entitlement postings up to 5 April 2006, and (b) payments and other transactions for 2004-05 posted up to 5 April 2005 (but including, exceptionally, manual payments for 2004-05 issued in 2004-05 and posted during 2005-06). The sums of the posting amounts taken over all awards were consistent with separate aggregates derived from other scans of the system.

Payments received direct from claimants to settle 2004-05 overpayments identified in-year are included at (b) above if they were posted to accounts by 5 April 2005.

The data in the scan were generally those used to issue payments and award notices to tax credits claimants, and to recover overpayments. A small number of awards were handled clerically, and the computer system may have out of date or incorrect data. Some payments made in 2004-05 were not recorded on the computer system, such as manual payments issued in 2004-05 but not posted to accounts by April 2006. However, the numbers and amounts involved are extremely small.

By definition, the data exclude payments made after 5 April 2005, even if these were the sole cause of, or increased, 2004-05 overpayments as measured at a later date.

Incomes

The incomes in Tables 5 and 6 represent the taxable incomes of the family in the year (net of pension contributions), but excluding the first £300 of most income other than earnings and taxable social security benefits. The 2004-05 income used to taper the award is net of the first £2,500 of any increase over 2003-04. Awards are reduced by a proportion of the excess of this income over the relevant threshold. The incomes shown in Tables 5 and 6 are before deducting either the £2,500 disregard or the threshold.

Terminated awards

Terminated awards were identified as those with no entitlement sub-period in the scan used for the main publication "Child and Working Tax Credits. Finalised awards. 2004-05". Only such awards with positive payment postings are included in the tables.

Table 4

The analysis by position on the profile at 5 April 2005 was derived by linking the data in this scan with another data set giving this information. This second data set covers only a sample of one in ten awards to single adults and one in five awards to couples. The figures in this table are therefore subject to small sampling uncertainty

Appendix: 2004-05 tax credit elements and thresholds

Annual rate (£), except where specified

2004-05

Child Tax Credit

Family element	545
Family element Awards underpaid ² - backdated	545
Child element ²	1,625
Disabled child additional element ³	2,215
Severely disabled child additional element ⁴	890

Working Tax Credit

Basic element	1,570
Couples and lone parent element	1,545
30 hour element ⁵	640
Disabled worker element	2,100
Severely disabled adult element	890
50+ return to work payment ⁶	
16 but less than 30 hours per week	1,075
at least 30 hours per week	1,610
Childcare element	
Maximum eligible costs allowed (£ per week)	
Eligible costs incurred for 1 child	135
Eligible costs incurred for 2+ children	200
Percentage of eligible costs covered	70%

Common features

First income threshold ⁷	5,060
First withdrawal rate	37%
Second income threshold ⁸	50,000
Second withdrawal rate	1 in 15
First income threshold for those entitled to Child Tax Credit only ⁹	13,480
Income increase disregard	2,500

Minimum award payable	26
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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.