



HM REVENUE AND CUSTOMS

Analysis Team

**Child and Working Tax Credits
Statistics**

**Finalised annual awards
2005-06**

**Supplement on payments in
2005-06**



A National Statistics Publication

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This issue, and the issues for 2003-04 and 2004-05, 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 2005-06

Supplement on payments in 2005-06

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Introduction

The main publication, "Child and Working Tax Credits Statistics Finalised annual awards 2005-06", shows the average number of families with positive¹ entitlements to tax credits awards during 2005-06, 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 2007.

These tables show the number of 2005-06 awards, analysed by whether payments etc² for 2005-06 and issued in 2005-06 were lower or higher than the finalised entitlement. Such awards are described as underpaid or overpaid at 5 April 2006, respectively. Note that this is known only after awards are finalised.

How overpayments and underpayments arise

During 2005-06, 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 2005-06 incomes. Payments were then adjusted so that, as far as possible, the new calculated annual entitlement was paid over by 5 April 2006.

Most underpayments and overpayments arose through no 2005-06 incomes being reported until finalisation in 2006-07³. They also arose when claimants failed to report changes of circumstances until after the year end; or when changes (or estimated 2005-06 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

2005-06 awards are described as "Terminated" if the families (a) failed to report by the specified date their actual 2004-05 incomes or other details, (b) according to the latest information, ceased to meet the qualifying conditions for tax credits⁴ before the start of 2005-06, or (c) failed to return a signed 2005-06 award notice,

The entitlements of such awards are set to zero. The awards are included in the tables if payments for 2005-06 were made during 2005-06, and not fully recovered (and not remitted) in 2005-06; they are by definition overpaid at 5 April 2006.

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 earlier overpayments. Other transactions include the in-year direct recovery and remission of 2005-06 overpayments.

³ Initial awards were based on 2004-05 incomes. The first £2,500 of any increase in income between then and 2005-06 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 2006. 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 2006.

Overpayments arising after the year end, and from unposted payments

The data used to compile the main tables exclude (a) manual payments issued in 2005-06 but not posted to customer accounts by 5 April 2007 and (b) payments for 2005-06 made after 5 April 2006.

Aggregates including these transactions, and the equivalent figures for 2003-04 and 2004-05, 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 sum of the maximum amounts for each award on or after that date. The figures are heavily rounded, reflecting the fact that they are approximate. They fall outside National Statistics.

Small underpayments and overpayments

34 thousand awards were underpaid, and 122 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 should 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 2005-06, which is the same as the number of awards with positive entitlement averaged over the year. These tables cover all 2005-06 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 2006 and (b) other awards. The latter comprises awards terminated, ceased by 5 April 2006, or made only in 2006-07 and backdated.

The coverage of out-of-work families with children

The tables in the main publication include out of work families receiving their child support via Income Support or income-based Jobseeker's Allowance. This publication is restricted to tax credits awards, and so excludes payments, underpayments and overpayments of these benefits.

Geographical analyses

A separate publication gives analyses by region, local authority and parliamentary constituency, of the number of 2005-06 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 2005-06 awards at 5 April 2006 as recorded on the tax credits computer system, and the equivalent figures for 2003-04 and 2004-05. More details are shown in the later tables. The figures of overpayments in the bottom section 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	2005-06 awards
Underpaid awards¹			
Total ('000)	713	906	886
Aggregate amount underpaid (£ million)	464	556	549
Overpaid awards¹			
Terminated awards ² ('000)	30	228	254
Aggregate amount overpaid (£ million)	8	395	378
Other awards ('000)	1,849	1,730	1,648
Aggregate amount overpaid (£ million)	1,923	1,300	1,195
Total ('000)	1,879	1,958	1,902
Aggregate amount overpaid (£ million)	1,931	1,695	1,573
<u>Transactions excluded from the detailed tables³</u>			
Off-system and late payments increasing overpayments	£0.3bn	£0.1bn	£0.1bn
<u>Total overpayments including these transactions³</u>			
Terminated awards ²	-	£0.4bn	£0.4bn
Other awards	£2.2bn	£1.4bn	£1.2bn
Total overpayments	£2.2bn	£1.8bn	£1.7bn

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 2005-06 awards; aggregate entitlement, payments and whether underpaid or overpaid at 5 April 2006

	Awards (thousands)	Entitlement for 2005-06 (£ million)	Net paid ¹ in 2005-06 (£ million)	Net overpayment at 5 April 2006 (£ million)
Awards underpaid²				
Made after 5 April 2006 and backdated	145	75	-	-75
Other	741	3,039	2,565	-474
Total	886	3,114	2,565	-549
Awards neither underpaid nor overpaid	3,692	8,930	8,930	-
Awards overpaid²				
Terminated ³	254	-	378	378
Other	1,648	3,991	5,187	1,195
Total³	1,902	3,991	5,565	1,573
Total 2005-06 awards made³	6,480	16,035	17,060	1,024

¹ After adding back reductions to recover 2003-04 or 2004-05 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 2006. See the Introduction.

Table 2 Families with finalised 2005-06 awards underpaid or overpaid at 5 April 2006

	Awards (thousands)	Net overpayment (£ million)
Awards underpaid¹		
Families with awards at 5 April 2006	710	-451
Awards made after 5 April 2006 and backdated	145	-75
Awards ceased during 2005-06	31	-23
Total	886	-549
Awards overpaid¹		
Terminated awards	254	378
Families with awards at 5 April 2006	1,345	1,056
Awards ceased during 2005-06	303	140
Total	1,902	1,573

¹ See footnote 2 to Table 1

Note. The level of under or overpayment at 5 April 2006 for each award is based on the 2005-06 entitlement calculated from the family's circumstances and income in 2005-06 reported by April 2007.

Table 3 Finalised 2005-06 awards underpaid or overpaid at 5 April 2006, by size of under or overpayment

	Underpaid awards ¹ (thousands)	Underpayment at 5 April 2006 (£ million)	Overpaid awards ¹ (thousands)	Overpayment at 5 April 2006 (£ million)
Band of underpayment or overpayment				
All awards				
Up to £50	110	3	165	5
£50 to £100	101	7	172	13
£100 to £200	140	21	260	38
£200 to £500	220	72	464	152
£500 to £1,000	150	106	347	248
£1,000 to £2,000	104	146	282	399
£2,000 to £5,000	53	155	187	554
Over £5,000	6	39	25	165
Total	886	549	1,902	1,573
Terminated awards				
Up to £50	-	-	4	-
£50 to £100	-	-	9	1
£100 to £200	-	-	20	3
£200 to £500	-	-	60	19
£500 to £1,000	-	-	40	29
£1,000 to £2,000	-	-	52	75
£2,000 to £5,000	-	-	57	174
Over £5,000	-	-	11	77
Total	-	-	254	378
Families with awards at 5 April 2006				
Up to £50	88	2	115	4
£50 to £100	77	6	121	9
£100 to £200	110	16	186	27
£200 to £500	178	59	324	107
£500 to £1,000	122	87	260	186
£1,000 to £2,000	85	119	205	290
£2,000 to £5,000	44	129	120	351
Over £5,000	5	33	13	82
Total	710	451	1,345	1,056
Other awards²				
Up to £50	23	1	46	1
£50 to £100	24	2	42	3
£100 to £200	31	4	54	8
£200 to £500	42	14	80	26
£500 to £1,000	28	20	47	33
£1,000 to £2,000	19	27	24	34
£2,000 to £5,000	9	26	10	29
Over £5,000	1	5	1	6
Total	176	98	303	140

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 2006.

Note. The level of under or overpayment at 5 April 2006 for each award is based on the 2005-06 entitlement calculated from the family's circumstances and income in 2005-06 reported by April 2007.

Table 4 Finalised 2005-06 awards underpaid or overpaid at 5 April 2006, by position on profile at that date (and as assessed at that date)

	Underpaid awards ¹ (thousands)	Underpayment at 5 April 2006 (£ million)	Overpaid awards ¹ (thousands)	Overpayment at 5 April 2006 (£ million)
All families				
Terminated awards ²	-	-	254	378
Positive entitlement at 5/4/06				
Not in work with children	56	34	84	66
In work with children				
WTC and CTC	306	164	481	500
CTC only, more than family element	157	137	308	257
CTC family element	68	68	158	105
CTC, less than family element	36	7	71	17
In work, no children (WTC only)	55	25	97	68
Entitlement at 5/4/06 tapered to zero	32	16	146	43
Awards ceased during 2005-06	31	23	303	140
Awards made after 5/4/06 and backdated	145	75	-	-
Total	886	549	1,902	1,573
Singles				
Terminated awards ²	-	-	130	221
Positive entitlement at 5/4/06				
Not in work with children	29	15	48	36
In work with children				
WTC and CTC	152	66	207	167
CTC only, more than family element	22	16	32	22
CTC family element	5	5	11	7
CTC, less than family element	-	-	1	-
In work, no children (WTC only)	35	14	61	35
Entitlement at 5/4/06 tapered to zero	9	5	35	14
Awards ceased during 2005-06	15	10	157	75
Awards made after 5/4/06 and backdated	63	35	-	-
Total	331	166	682	578
Couples				
Terminated awards ²	-	-	124	157
Positive entitlement at 5/4/06				
Not in work with children	27	19	36	30
In work with children				
WTC and CTC	154	97	274	332
CTC only, more than family element	135	121	276	235
CTC family element	62	63	147	98
CTC, less than family element	36	7	70	17
In work, no children (WTC only)	20	11	36	33
Entitlement at 5/4/06 tapered to zero	23	11	110	28
Awards ceased during 2005-06	15	13	146	64
Awards made after 5/4/06 and backdated	82	40	-	-
Total	554	383	1,220	996

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

² Includes awards terminated after 5 April 2006

Note. The level of under or overpayment at 5 April 2006 for each award is based on the 2005-06 entitlement calculated from the family's circumstances and income in 2005-06 reported by April 2007.

Table 5 Finalised 2005-06 awards underpaid or overpaid at 5 April 2006, by band of family income (excludes terminated awards)

	Underpaid awards ¹ (thousands)	Underpayment at 5 April 2006 (£ million)	Overpaid awards ¹ (thousands)	Overpayment at 5 April 2006 (£ million)
2005-06 income band²				
All awards				
Up to £5,000	110	92	132	93
£5,000 to £10,000	230	158	231	121
£10,000 to £15,000	172	123	278	179
£15,000 to £20,000	125	82	234	191
£20,000 to £30,000	121	56	404	368
£30,000 to £40,000	39	11	156	145
£40,000 to £50,000	31	6	43	39
Over £50,000	32	5	110	28
Not known ³	27	16	61	31
Total	886	549	1,648	1,195
Families with awards at 5 April 2006				
Up to £5,000	79	68	71	62
£5,000 to £10,000	197	132	165	85
£10,000 to £15,000	148	105	231	155
£15,000 to £20,000	108	73	207	176
£20,000 to £30,000	98	50	367	354
£30,000 to £40,000	24	8	137	141
£40,000 to £50,000	22	5	35	38
Over £50,000	27	4	107	28
Not known ³	8	5	24	16
Total	710	451	1,345	1,056
Other awards⁴				
Up to £5,000	31	24	61	30
£5,000 to £10,000	33	26	66	36
£10,000 to £15,000	24	18	46	25
£15,000 to £20,000	17	9	27	15
£20,000 to £30,000	23	6	36	14
£30,000 to £40,000	15	3	19	4
£40,000 to £50,000	9	1	8	1
Over £50,000	5	-	3	1
Not known ³	19	11	36	14
Total	176	98	303	140

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

² For families not reporting 2005-06 incomes they are assumed to fall into the same bands as in 2004-05 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 2005-06 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 2005-06 incomes by April 2007, so their 2005-06 entitlement was still calculated using 2004-05 incomes.

⁴ Awards not made, or ceased, by 5 April 2006. Based on information reported by 5 April 2006.

Note. The level of under or overpayment at 5 April 2006 for each award is based on the 2005-06 entitlement calculated from the family's circumstances and income in 2005-06 reported by April 2006.

Table 6 Finalised 2005-06 awards underpaid or overpaid at 5 April 2006, by combination of bands of family income in 2004-05 and 2005-06 (excluding terminated awards)

Thousands

	2004-05 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	
2005-06 income band¹									
All awards									
Under £5,000	649	99	26	8	5	1	-	-	790
£5,000 to £10,000	198	575	81	22	12	3	1	1	892
£10,000 to £15,000	55	150	403	62	27	5	1	1	705
£15,000 to £20,000	15	27	121	290	68	9	2	1	533
£20,000 to £30,000	9	12	34	143	978	66	10	3	1,256
£30,000 to £40,000	2	2	5	11	151	773	34	10	989
£40,000 to £50,000	1	1	1	2	19	75	335	30	463
Over £50,000	-	-	-	1	4	20	56	115	198
Not known ²	401	-	-	-	-	-	-	-	401
Total	1,331	867	672	538	1,264	952	440	162	6,226
Awards underpaid at 5 April 2006³									
Under £5,000	47	42	13	5	3	1	-	-	110
£5,000 to £10,000	27	133	47	13	7	2	-	-	230
£10,000 to £15,000	10	18	90	35	15	3	1	-	172
£15,000 to £20,000	3	3	13	64	35	5	1	1	125
£20,000 to £30,000	1	1	3	11	89	13	2	1	121
£30,000 to £40,000	-	-	-	-	6	26	3	3	39
£40,000 to £50,000	-	-	-	-	1	4	12	15	31
Over £50,000	-	-	-	-	-	1	5	25	32
Not known	26	-	-	-	-	-	-	-	27
Total	116	198	167	127	155	54	24	46	886
Neither underpaid nor overpaid									
Under £5,000	492	41	10	3	2	-	-	-	548
£5,000 to £10,000	115	301	9	3	2	-	-	-	431
£10,000 to £15,000	6	48	193	5	3	-	-	-	255
£15,000 to £20,000	1	1	35	131	5	1	-	-	175
£20,000 to £30,000	1	1	1	33	656	34	5	1	732
£30,000 to £40,000	-	-	1	2	83	675	27	5	793
£40,000 to £50,000	-	-	-	-	12	60	302	14	389
Over £50,000	-	-	-	-	1	7	17	30	56
Not known ²	314	-	-	-	-	-	-	-	314
Total	930	392	250	176	764	778	352	51	3,692
Awards overpaid at 5 April 2006³									
Under £5,000	110	17	3	1	-	-	-	-	132
£5,000 to £10,000	56	140	25	6	3	1	-	-	231
£10,000 to £15,000	39	84	120	22	10	2	-	-	278
£15,000 to £20,000	11	22	73	95	28	3	1	-	234
£20,000 to £30,000	7	11	30	99	233	20	3	1	404
£30,000 to £40,000	2	2	4	10	62	72	5	1	156
£40,000 to £50,000	1	-	1	2	6	11	21	2	43
Over £50,000	-	-	-	-	3	12	34	60	110
Not known ²	61	-	-	-	-	-	-	-	61
Total	286	276	256	236	346	120	64	65	1,648

¹ For some families not reporting 2005-06 incomes they are assumed to fall into the same bands as in 2004-05. These include families with awards at the family element of Child Tax Credit, or tapered to zero, and who had to report 2005-06 incomes only if the change in income was sufficient to affect the size of the award.

³ Comprises certain families receiving out of work benefits not required to report incomes, and those not reporting their 2005-06 incomes by April 2007, so their 2005-06 entitlement was still calculated using 2004-05 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 2006 for each award is based on the 2005-06 entitlement calculated from the family's circumstances and income in 2005-06 reported by April 2007.

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 2007. For each 2005-06 award, the scan contained the aggregate of each of (a) 2005-06 entitlement postings up to 5 April 2007, and (b) payments and other transactions for 2005-06 posted up to 5 April 2006 (but including, exceptionally, manual payments for 2005-06 issued in 2005-06 and posted during 2006-07). 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 2005-06 overpayments identified in-year are included at (b) above if they were posted to accounts by 5 April 2007.

These 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 2005-06 were not recorded on the computer system, such as manual payments issued in 2005-06 but not posted to accounts by April 2007. However, the numbers and amounts involved are extremely small.

By definition, the data exclude payments made after 5 April 2006, even if these were the sole cause of, or increased, 2005-06 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 2005-06 income used to taper the award is net of the first £2,500 of any increase over 2004-05. 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 Statistics Finalised annual awards. 2005-06". Only such awards with positive payment postings are included in the tables.

Table 4

The analysis by position on the profile at 5 April 2006 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: 2005-06 tax credit elements and thresholds

Annual rate (£), except where specified

	2005-06
Child Tax Credit	
Family element	545
Family element, baby addition ¹	545
Child element ²	1,690
Disabled child additional element ³	2,285
Severely disabled child additional element ⁴	920
Working Tax Credit	
Basic element	1,620
Couples and lone parent element	1,595
30 hour element ⁵	660
Disabled worker element	2,165
Severely disabled adult element	920
50+ return to work payment ⁶	
16 but less than 30 hours per week	1,110
at least 30 hours per week	1,660
Childcare element	
Maximum eligible costs allowed (£ per week)	
Eligible costs incurred for 1 child	175
Eligible costs incurred for 2+ children	300
Percentage of eligible costs covered	70%
Common features	
First income threshold ⁷	5,220
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	13,910
Income increase disregard	2,500
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.