

Ad hoc analysis of benefit units by amount of savings and investments and Tax Credit receipt

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Background

Tax credits are based on family circumstances and can be claimed jointly by members of a couple, or by singles. Entitlement is based on age, income, hours worked, number and age of children, childcare costs and disabilities.

Tax Credits are made up of:

Child Tax Credit (CTC): For qualifying young people aged 16-19 who are in full time non-advanced education or approved training, payable to the main carer. Families can claim whether or not the adults are in-work.

Working Tax Credit (WTC): Provides in-work support for people on low incomes, with or without children. It is currently available to people who work 16 hours or more a week and;

- are aged at least 16 and are responsible for a child or young person,
- are aged at least 16 and are receiving or have recently received a qualifying sickness or disability related benefit and have a disability that puts them at a disadvantage of getting a job, or
- are over 50 and going back to work after being on a qualifying out-of-work benefit for at least six months.

Otherwise WTC is available to people who are aged 25 and over who work 30 hours a week or more.

To note: This analysis is based on the Family Resources Survey (FRS). The latest available FRS data is for 2008/09 and so this analysis will not reflect the changes to Tax Credits announced at the June Budget 2010 and Spending Round 2010. These changes include the reduction of the 2nd income threshold to £40,000 from 2011-12 and the decision to taper the family element immediately after the child elements from 2012-13, and may tend to remove some of the Tax Credit recipients with higher levels of savings. More information on the changes can be found in the Budget and Spending Review sections of the HM Treasury website: <http://www.hm-treasury.gov.uk/home.htm>

For further information about who can claim Tax Credits please refer to the HMRC website: <http://www.hmrc.gov.uk/taxcredits/index.htm>

Methodology

This analysis has been carried out using the 2008-09 Family Resources Survey (FRS).

The FRS is a nationally representative sample of approximately 25,000 UK private households. Data for 2008-09 was collected between April 2008 and March 2009. The figures from the FRS are based on a sample of households which have been adjusted for non-response using multi-purpose grossing factors which align the estimates to Government Office Region populations by age and sex. Estimates are subject to sampling error and remaining non-response error.

The FRS asks questions about all savings and investment produces, including bank and building society accounts, stocks and shares. For benefit units who estimate the value of all their investments to be in the range of £1,500 to £20,000, further questions are asked in respect of the actual value of their holdings. For benefit units whose total savings fall outside this range, the value of their total investments are estimated based on the interest they earn from individual accounts. Over a quarter of all respondents are asked the detailed questions on their savings and investments.

The data relating to savings and investments should be treated with caution. Questions relating to investments are a sensitive section of the questionnaire and have the lowest response rate. A high proportion of respondents do not know the interest received on their assets and therefore one in four cases are imputed. Evidence also suggests that there is some under reporting of capital by respondents, in terms of both the actual values of the assets and the investment income. Details of the imputation methodology used are available:

http://research.dwp.gov.uk/asd/frs/2008_09/chapter7.pdf

The FRS is known to under-record benefit receipt. More information on this is available: http://research.dwp.gov.uk/asd/frs/2008_09/chapter7.pdf

Results

Table 1: Benefit units¹ by amount of savings and investments and Tax Credit receipt², 2008-09

Percentage of benefit units

Amount of savings and investments	Tax Credits received					All benefit units
	WTC only	CTC only	WTC and CTC	Any Tax Credit	Neither WTC or CTC	
Less than £6,000 ³	88	80	93	84	67	69
Between £6,000 and £16,000	7	13	5	10	14	13
£16,000 or above	5	8	2	6	20	18
<i>Sample size</i>	<i>202</i>	<i>3,014</i>	<i>1,606</i>	<i>4,822</i>	<i>24,585</i>	<i>29,407</i>

Source: Family Resources Survey 2008-09

1. A benefit unit is defined as a single adult or a married or cohabiting couple and any dependent children. Same-sex partners (civil partners and cohabittees) are included in the same benefit unit.
2. Percentages have been rounded to the nearest 1%.
3. Includes those with no savings or investments.

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