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Personal Tax Credits: Finalised Award Statistics

Small Area Data at
Lower Layer Super
Output Area in England
and Wales and at Data
Zone in Scotland

2015-16

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Child and Working Tax Credit Statistics

Small Area Data

31st August 2015

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National Statistics Review

A formal review of our National and Official Statistics publications was held between May and August 2011. Over 130 responses were received from a broad range of users. A report summarising the responses received has been published.

<https://www.gov.uk/government/publications/national-statistics-review-of-tax-credit-statistics-results>

Introduction

These statistics focus on the number of families benefiting from tax credits in England, Scotland, and Wales as at 31st August 2015. They are based on a snapshot of the 2015-16 finalised award data, which in turn is based on 100% of tax credit administrative data available for that period, and so they are not subject to sampling error. Within England and Wales, the number of families and children are broken down by Lower Super Output Area (LSOA), and within Scotland they are broken down by Scottish Data Zone. This publication excludes any cases where the claimants live outside the UK or where we cannot locate a region or area.

Definitions

What are tax credits?

Tax credits are a flexible system of financial support designed to deliver support as and when a family needs it, tailored to their specific circumstances. They are part of wider government policy to provide support to parents returning to work, reduce child poverty and increase financial support for all families. The flexibility of the design of the system means that as families' circumstances change, so (daily) entitlement to tax credits changes. This means tax credits can respond quickly to families' changing circumstances providing support to those that need it most.

Tax credits are based on household circumstances and can be claimed jointly by members of a couple, or by singles. Entitlement is based on the following factors:

- age
- income
- hours worked
- number and age of children
- childcare costs
- disabilities

For further information about who can claim please refer to the HMRC website:

<https://www.gov.uk/browse/benefits/tax-credits>

Tax credits are made up of:

Child Tax Credit (CTC):

Brings together income-related support for children and for qualifying young people aged 16-19 who are in full time non-advanced education or approved training into a single tax credit, payable to the main carer. Families can claim CTC 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 extends eligibility to in-work support 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.

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

Definitions

CTC is made up of the following elements:

Family element: which is the basic element for families responsible for one or more children or qualifying young people.

Child element: which is paid for each child or qualifying young person the claimant is responsible for.

Disability element: for each child or qualifying young person the claimant is responsible for if they get Disability Living Allowance (DLA) for the child.

Severe disability element: for each child or qualifying young person the claimant is responsible for if they get Disability Living Allowance (Highest Rate Care Component) for the child.

Out-of-work benefit families

Some out-of-work families with children do not receive CTC but instead receive the equivalent amount via child and related allowances in Income Support or income-based Jobseeker's Allowance (IS/JSA). These families are included in the figures, generally together with out-of-work families receiving CTC. In due course, they will be "migrated" to HMRC and paid via the tax credits system.

WTC is made up of the following elements:

Basic element: which is paid to any working person who meets the basic eligibility conditions.

Lone Parent element: for lone parents

Second adult element: for couples

30 hour element: for individuals who work at least 30 hours a week, couples where one person works at least 30 hours a week or couples who have a child and work a total of 30 hours or more a week between them where one of them works at least 16 hours a week.

Disability element: for people who work at least 16 hours a week and who have a disability that puts them at a disadvantage in getting a job and who are receiving or have recently received a qualifying sickness or disability related benefit

Severe disability element: for people who are in receipt of Disability Living Allowance (Highest Rate Care Component) or Attendance Allowance at the highest rate.

Childcare element: for single parent who work at least 16 hours a week or couples who either (i) both work at least 16 hours a week or (ii) one of them work at least 16 hours a week but other is out of work for being in hospital or in prison and who spend money on registered or approved childcare provider. The childcare element of WTC can help up to 70% of child care costs.

Further information on child care cost support can be found from

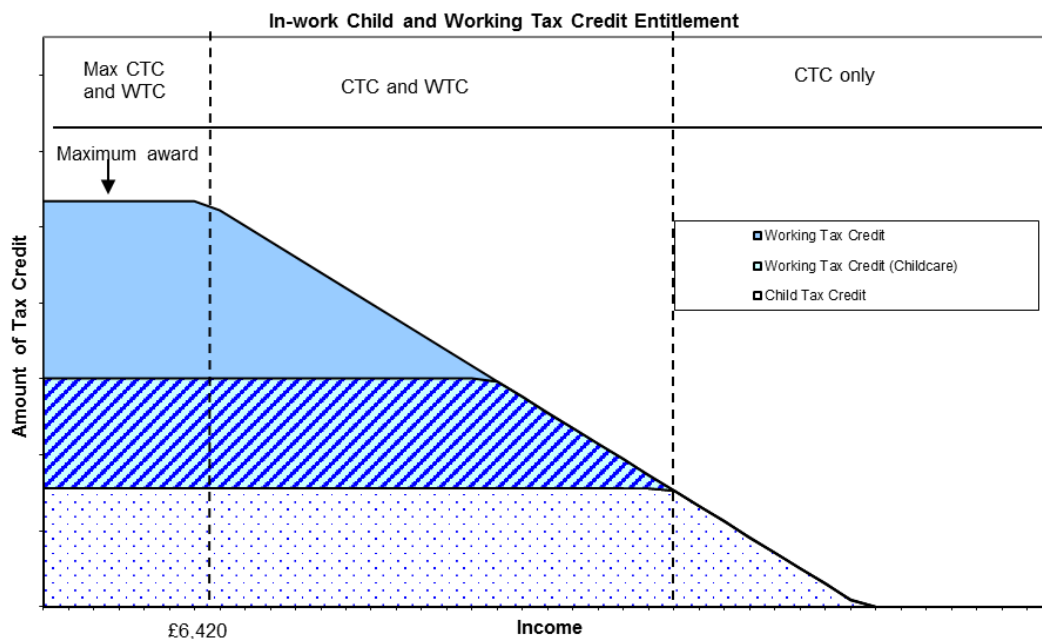
<https://www.gov.uk/government/publications/working-tax-credit-help-with-the-costs-of-childcare-wtc5>

Child and Working Tax Credit Entitlement

The amount of support an eligible family can receive (known as their entitlement) varies depending on their income and which tax credit elements they are eligible for. First, a family's maximum possible entitlement is worked out by adding up all the different elements of CTC and WTC that they are eligible for (described on page 2).

A household's actual entitlement is then determined by tapering this maximum amount according to different thresholds. As demonstrated within the diagram below, families eligible for the WTC receive the full entitlement until their annual household income reaches £6,420, after which the amount of tax credits they receive is reduced by 41 pence for each £1 they earn beyond this threshold.

If a household is out-of-work and therefore eligible for the CTC only, they will receive the full entitlement until their annual household income reaches £16,105 (2015-16). After this point, the amount of tax credits they receive is again reduced by 41 pence for each additional £1 of income beyond this threshold (note that this is not shown on the diagram below).



Because of the range of possible eligibilities and interactions between the elements, both the maximum award and the shape of the above award profile will be different for every family with different circumstances.

Tax credits are based on household income. The income used to calculate the award is based on the families' income from the previous tax year, or on their most recently reported circumstances in-year. A family's tax credits award is provisional until finalised at the end of the year, when it is checked against their final income for the year. This publication relates to a snapshot of tax credit support based on these 'finalised' income.

Technical notes

What the publication tells us

The small area data is currently published during summer around one year following completion of the entitlement year in question. The delay in publication is the result of the finalisation process built into the tax credits system as well as the time taken to produce and quality assure the statistics. Most families have until July 31st following the end of the entitlement year to renew their award reporting their finalised income for the year in question.

However, families that report income from Self Assessment (e.g. the self-employed) have until January 31st of the following year to finalise their income. As a result, the full picture is not known until at least February the year after the entitlement year ends. The 2015 small area data is based on the 2015-16 finalised awards data, but only awards live as at 31st August 2015 are selected for inclusion in this publication, therefore the estimates in this publication will not match exactly with the estimates from the 2015-16 finalised annual awards. The link to these National Statistics is: <https://www.gov.uk/government/statistics/child-and-working-tax-credits-statistics-finalised-annual-awards-2015-to-2016>

This series has been produced annually since 2005.

LSOAs and Data Zones:

The standard geography used to report small area data in England and Wales is the LSOA. These are first built from groups of Output Areas used in the 2001 Census, and have been updated following the 2011 census. More information on the creation of these boundaries can be found on the NeSS website here:

<http://www.neighbourhood.statistics.gov.uk/output-areas-explained>

Similarly for Scotland the key small area geography is called the Data Zone and as with LSOA's in England and Wales they nest within Local Authority boundaries. More information can be found at the Scottish Neighbourhood Statistics website here:

<http://www.scotland.gov.uk/Publications/2005/02/20697/52626>

The LSOAs are grouped first by local authority and then by LSOA or Data Zone code for each region in England, for Wales and for Scotland. The order of the local authorities is as used in the Neighbourhood Statistics website.

31st August 2015 reference date:

CTC and WTC are awards for tax years, but the entitlement level can vary over the year as families' circumstances change. These tables are based on families' entitlements at 31st August 2015, given the family size, hours worked, childcare costs and disabilities at that date, and their 2015-16 incomes.

This date was selected because it is the reference date for published Child Benefit (CB) statistics for England and Wales, at LSOA level and for Scotland at Data Zone level.

At this date most young people aged 16 were still “qualifying” for CB and CTC, although historically their numbers drop slightly over the period since May (normally one or two percent), this is mainly through them taking up permanent work.

During the school holiday some families no longer use childcare costs, while others take up childcare. Depending on how these costs are calculated for the claim, this may affect which families benefited from the childcare element at 31st August 2015.

Addresses used for geographical allocation:

To maintain comparability, where families appear in both the tax credits and Child Benefit data, they are allocated to the same LSOA's (which are created based on 2011 census) in both small area data publications. However, the published Child Benefit statistics for Data Zones in Scotland was based on 2001 census geography. This means the Child Benefit information presented in this publication is not comparable with the published figures as the former was derived using the 2011 census. Though the total number of children and the total number of families in receipt of Child Benefit obtained under the different methodologies matched.

Childcare and National Childcare Indicator (National Indicator 118):

To benefit from the childcare support within CTC, claimants need to report their eligible childcare costs and receive a CTC award of more than the family element. If the claimant's income or circumstances mean that their award is tapered to the family element of CTC or below, then they will not benefit from reporting childcare costs, as this will not affect their level of award. Childcare costs reported are as at 31st August 2015.

Progress against National Indicator 118 on the use of formal childcare by lower income families is best measured by using the ratio given below. The ratio excludes families who report childcare to HMRC but do not benefit from it as their income levels are too high, and it also excludes families using informal childcare, as these families do not report their childcare costs to HMRC.

The estimates provided are calculated from the actual (unrounded) estimates of the number of families receiving WTC and CTC, or CTC only, as well as the number of families who are receiving help with childcare. The estimate is defined as:

$$\frac{\text{Number of families benefiting from childcare element}}{\text{Number of families receiving WTC and CTC} + \text{Number of families receiving CTC only}}$$

In the families tab of the spreadsheet at LSOA level this is: column N / (column J + Column K).

Policy changes since last publication

HMRC announced in the Autumn Statement 2013 that from April 2015, tax credits payments will be stopped in-year where, due to a change in circumstances, a claimant has already received their full annual entitlement. This will prevent claimants building up overpayments that must be repaid at a later stage.

In the Autumn Statement in December 2014, it was announced that tighter rules would be implemented for self-employed claimants of tax credits. From the 6th April 2015, a self-employed claimant of tax credits must carry out work on a commercial basis with a view to realising profit and the work must be organised and regular.

For further information, please visit:

<https://www.gov.uk/government/publications/revenue-and-customs-brief-7-2015-new-rules-for-the-self-employed-claiming-working-tax-credit/revenue-and-customs-brief-7-2015-new-rules-for-the-self-employed-claiming-working-tax-credit>

Uses of these statistics and user engagement

Uses of these statistics

The statistics contained in this publication will be of interest for anyone that is looking for detailed geographical estimates of the number of families receiving tax credits. It may be of interest to academics, think-tanks, political parties interested in the twin aims of tax credits: eradicating child poverty and improving work incentives. Equally it may be of interest to people considering wider questions on government support systems and/or others designing benefit systems. Finally and most importantly, it will be useful for local authorities and planning organisations, specifically for the monitoring of National Indicator 118 down to very low geographical levels.

User Engagement

Bespoke analysis of tax credits data is possible although there may be a charge depending on the level of complexity and the resources required to produce. If you would like to discuss your requirements, to comment on the current publications, or for further information about the tax credits statistics please use the contact information at the end of this publication, or from the HMRC website:

<http://www.hmrc.gov.uk/statistics/contacts.htm>

We are committed to improving the official statistics we publish. We want to encourage and promote user engagement, so we can improve our statistical outputs.

We would welcome any views you have using the link to the feedback form below. We will undertake to review user comments on a quarterly basis and use this information to influence the development of our official statistics. We will summarise and publish user comments at regular intervals.

<http://www.hmrc.gov.uk/statistics/feedback.htm>

User Notification

Users of this statistics are notified that the Child benefit statistics will not be part of this publication in future as they can be available at

<https://www.gov.uk/government/collections/child-benefit-geographical-statistics>

Revision policy

This policy has been developed in accordance with the UK Statistics Authority Code of Practice for Official statistics and Her Majesties Revenue and Customs Revisions Policy. The UK Statistics Authority Code of Practice can be found at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/261365/cop-confidentiality.pdf

There are two types of revisions:

Scheduled revisions

This requires explanation of the handling of scheduled revisions due to the receipt of updated information in the case of each statistical publication. As this publication is based on finalised award data at 31st March 2015 therefore, the figures presented in this publication are treated as 'final'.

Unscheduled revision

HMRC aims to avoid the need for unscheduled revisions to publications unless they are absolutely necessary and put systems and processes in place to minimise the number of revisions. Where revisions is necessary due to errors in the statistical process, an explanation along with the nature and extent of revision is also provided. Also, the statistical release and the accompanying tables will be updated and published as soon as is practical.

Disclosure control

To avoid the possible disclosure of information about individual families, including by comparison with other analyses, suppression techniques have been applied where the cell frequencies are less than 3. All the other figures have been individually rounded to the nearest 5. It is therefore very common for rounded components of a rounded figure to not sum to the same figure.

The estimates provided for the National Childcare Indicator are unrounded, except for when the number of families benefiting from childcare rounds to zero. Where this is the case then the National Childcare Indicator estimate will also be rounded to zero.

Families benefitting from childcare costs and reference dates

The tables show the numbers of in-work families benefiting from the childcare element of tax credits at 31st August 2015, that is, with eligible childcare costs at 31st August 2015 (according to the latest data processed) and with CTC only.

The level of childcare used by a family often varies within the year, including between school holidays and term time. Users of the tables may value an indication of this variation in interpreting the 31st August 2015 counts.

The variation is influenced both by the variation in the actual usage of formal childcare and by the way families choose to report their costs in their CTC claim. The following table shows the national counts of families benefiting from the childcare element at various dates in 2015-16:

Number of families benefiting from the childcare element at:

| | <i>Thousands</i> |
|-------------------|------------------|
| 06 April 2015 | 387 |
| 30 April 2015 | 370 |
| 31 May 2015 | 376 |
| 30 June 2015 | 384 |
| 31 July 2015 | 385 |
| 31 August 2015 | 370 |
| 30 September 2015 | 373 |
| 31 October 2015 | 376 |
| 30 November 2015 | 379 |
| 31 December 2015 | 380 |
| 31 January 2016 | 386 |
| 28 February 2016 | 390 |
| 05 April 2016 | 396 |

Small net changes can result from much larger numbers of families ceasing to benefit and starting to benefit. We might expect this, in particular, around the start of a new school year. The following show some counts of families moving in each direction around this period.

| | <i>Thousands</i> |
|---|------------------|
| Benefiting at 30 June, but not at 31 August | 42 |
| Not benefiting at 30 June, but benefiting at 31 August | 29 |
| Benefiting at 31 August, but not at 30 September | 28 |
| Not benefiting at 31 August, but benefiting at 30 September | 32 |

The table indicates that there were 29 thousand families not receiving childcare during the summer term, but using it during the holiday; but exclude about the same number using it only during term time. These are not counts of families with this pattern of usage, as the counts are also affected by the way that the costs are calculated and reported.

Appendix A: Technical Note

Families with child support through IS/JSA:

56 thousand such families that were paid by DWP are included in the tables to give a complete picture of out of work families with children in each LSOA or data zone, irrespective of the administrative system through which child support is delivered. For simplicity, in this release, these are included in families described as having CTC awards.

To achieve this, the Department for Work and Pensions identified all families with children who were in recipient of Income Support (IS), JobSeeker's Allowance (JSA), Employment Support Allowance (ESA) and Pension Credit (PC). This included, indistinguishably, both those with CTC awards at 31st August 2015 and those receiving child allowances as part of their benefits at that date.

The set of families to be added to the data set was identified by removing from this list of out-of-work benefit recipients who's NINOs also appeared as the NINOs of claimants of CTC awards at 31st August 2015.

Modelled tax credits awards:

Award entitlement at any date is based on the annual values shown in Appendix B expressed as a daily rate. It is calculated by summing the various elements to which the family is entitled to arrive at the "maximum award" and then reducing this amount if the family's annual income, (see footnote 7 of Appendix B), less any income increase disregard (see footnote 8) exceeds the first income threshold. The annualised rate of reduction is 41 per cent of the excess over the threshold. That is the award is reduced by 41 pence for every £1 of income over that threshold. Families where this reduces the annual award to £26 or less are excluded from the tables.

The tapering is deemed to reduce WTC first, so families shown as "CTC and WTC" are those for which the reduction is below the sum of the relevant WTC elements. For in-work families shown as "CTC only" the reduction is larger than this, but still leaving the entitlement above the family element.

Appendix B : CTC and WTC elements and thresholds

| | Annual rate (£), except where specified | | | | | | | | | | | | |
|---|---|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| | 2003-04 | 2004-05 | 2005-06 | 2006-07 | 2007-08 | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 |
| Child Tax Credit | | | | | | | | | | | | | |
| Family element | 545 | 545 | 545 | 545 | 545 | 545 | 545 | 545 | 545 | 545 | 545 | 545 | 545 |
| Family element, baby addition ¹ | 545 | 545 | 545 | 545 | 545 | 545 | 545 | 545 | - | - | - | - | - |
| Child element ² | 1,445 | 1,625 | 1,690 | 1,765 | 1,845 | 2,085 | 2,235 | 2,300 | 2,555 | 2,690 | 2,720 | 2,750 | 2,780 |
| Disabled child additional element ³ | 2,215 | 2,215 | 2,285 | 2,350 | 2,440 | 2,540 | 2,670 | 2,715 | 2,800 | 2,950 | 3,015 | 3,100 | 3,140 |
| Severely disabled child additional element ⁴ | 865 | 890 | 920 | 945 | 980 | 1,020 | 1,075 | 1,095 | 1,130 | 1,190 | 1,220 | 1,255 | 1,275 |
| Working Tax Credit | | | | | | | | | | | | | |
| Basic element | 1,525 | 1,570 | 1,620 | 1,665 | 1,730 | 1,800 | 1,890 | 1,920 | 1,920 | 1,920 | 1,920 | 1,940 | 1,960 |
| Couples and lone parent element | 1,500 | 1,545 | 1,595 | 1,640 | 1,700 | 1,770 | 1,860 | 1,890 | 1,950 | 1,950 | 1,970 | 1,990 | 2,010 |
| 30 hour element ⁵ | 620 | 640 | 660 | 680 | 705 | 735 | 775 | 790 | 790 | 790 | 790 | 800 | 810 |
| Disabled worker element | 2,040 | 2,100 | 2,165 | 2,225 | 2,310 | 2,405 | 2,530 | 2,570 | 2,650 | 2,790 | 2,855 | 2,935 | 2,970 |
| Severely disabled adult element | 865 | 890 | 920 | 945 | 980 | 1,020 | 1,075 | 1,095 | 1,130 | 1,190 | 1,220 | 1,255 | 1,275 |
| 50+ return to work payment ⁶ | | | | | | | | | | | | | |
| 16 but less than 30 hours per week | 1,045 | 1,075 | 1,110 | 1,140 | 1,185 | 1,235 | 1,300 | 1,320 | 1,365 | - | - | - | - |
| at least 30 hours per week | 1,565 | 1,610 | 1,660 | 1,705 | 1,770 | 1,840 | 1,935 | 1,965 | 2,030 | - | - | - | - |
| Childcare element | | | | | | | | | | | | | |
| Maximum eligible costs allowed (£ per week) | | | | | | | | | | | | | |
| Eligible costs incurred for 1 child | 135 | 135 | 175 | 175 | 175 | 175 | 175 | 175 | 175 | 175 | 175 | 175 | 175 |
| Eligible costs incurred for 2+ children | 200 | 200 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 |
| <i>Percentage of eligible costs covered</i> | 70% | 70% | 70% | 80% | 80% | 80% | 80% | 80% | 70% | 70% | 70% | 70% | 70% |
| Common features | | | | | | | | | | | | | |
| First income threshold ⁷ | 5,060 | 5,060 | 5,220 | 5,220 | 5,220 | 6,420 | 6,420 | 6,420 | 6,420 | 6,420 | 6,420 | 6,420 | 6,420 |
| <i>First withdrawal rate</i> | 37% | 37% | 37% | 37% | 37% | 39% | 39% | 39% | 41% | 41% | 41% | 41% | 41% |
| Second income threshold ⁸ | 50,000 | 50,000 | 50,000 | 50,000 | 50,000 | 50,000 | 50,000 | 50,000 | 40,000 | - | - | - | - |
| <i>Second withdrawal rate</i> | 1 in 15 | 1 in 15 | 1 in 15 | 1 in 15 | 1 in 15 | 1 in 15 | 1 in 15 | 1 in 15 | 41% | - | - | - | - |
| First income threshold for those entitled to Child Tax Credit only ⁹ | 13,230 | 13,480 | 13,910 | 14,155 | 14,495 | 15,575 | 16,040 | 16,190 | 15,860 | 15,860 | 15,910 | 16,010 | 16,105 |
| Income increase disregard | 2,500 | 2,500 | 2,500 | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 | 10,000 | 10,000 | 5,000 | 5,000 | 5,000 |
| Income fall disregard ¹⁰ | - | - | - | - | - | - | - | - | - | 2,500 | 2,500 | 2,500 | 2,500 |
| Minimum award payable | 26 | 26 | 26 | 26 | 26 | 26 | 26 | 26 | 26 | 26 | 26 | 26 | 26 |