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Child and Working Tax Credits Statistics:

Finalised annual awards

Supplement on payments in 2016 to 2017

Media contact:
HMRC Press Office
020 7147 2318

Statistical contacts:
Vishal Abhol
benefitsandcredits.analysis@hmrc.gsi.gov.uk

KAI Benefits & Credits
HM Revenue and Customs
100 Parliament Street
London
SW1A 2BQ

Child and Working Tax Credit Statistics: Finalised annual awards in Supplement on Payments in 2016 to 2017

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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, Wales and Northern Ireland in the 2016 to 2017 tax year. It also presents a breakdown of families by their profile position, age and gender, type of family and family size, including the families benefitting from different elements of tax credits. It also covers the number of children in benefitting families broken down by their age. They are based on a full scan of the tax credit data.

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. The system, introduced in 2003, forms part of wider government policy to provide support to parents returning to work, reduce child poverty and increase financial support for 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 single adults. 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:

Working Tax Credit (WTC)

Provides in-work support for people on low incomes, with or without children. It is available for in-work support to people who are aged at least 16 and:

- are single, work 16 or more hours a week and are responsible for a child or young person;
- are in a couple responsible for a child or young person where their combined weekly working hours are at least 24, with one parent working at least 16 hours;
- work 16 or more hours a week 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;
- Work 16 or more hours a week and are aged 60 or over.

Otherwise, it is available for people who are aged 25 and over who work 30 hours a week or more.

Child Tax Credit (CTC)

Provides income-related support for children and 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.

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 Disability Living Allowance (DLA) or Personal Independence Payment (PIP) is payable for the child, or if the child is certified as blind or severely sight impaired.

Severe disability element: for each child or qualifying young person the claimant is responsible for if DLA (Highest Rate Care Component) or PIP (Enhanced Daily Living Component) is payable 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. The vast majority of these claimants have now moved to tax credits and the remainder will be migrated either to tax credits or Universal Credit.

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 DLA (Highest Rate Care Component), PIP (Enhanced Daily Living Component) or Attendance Allowance at the highest rate.

Childcare element: for a single parent who works 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 the other is out of work for being in hospital or in prison and who spends money on a registered or approved childcare provider. The childcare element of WTC can support up to 70% of childcare costs up to certain maximum limits.

Further information on childcare cost support can be found from

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

Tapering: is the amount of the award that will be reduced when the household income exceeds a given threshold. For example, the income threshold for claimants receiving WTC only and for combined WTC and CTC claimants is £6,420. After this threshold, the taper rate will be 41%. Tapering reduces WTC first and then CTC for claimants who receive both.

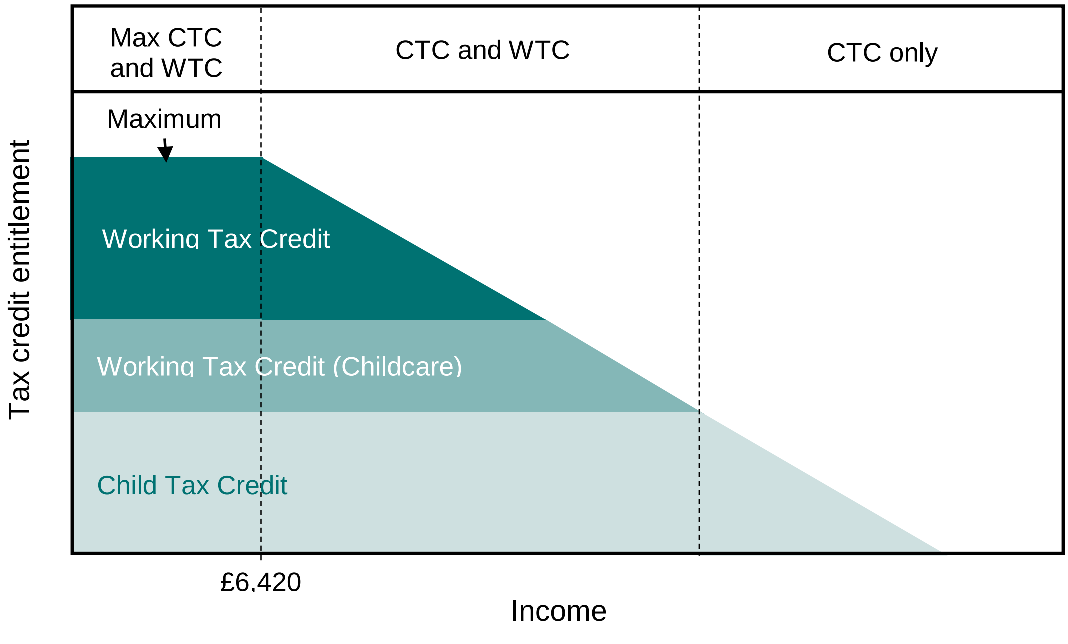
Child and Working Tax Credit entitlement

The amount of support an eligible family can receive (known as their entitlement) varies depending on their income and their eligibility for specific tax credit elements. 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 pages 2-4).

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 (2017-18). 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).

In-work Child and Working Tax Credit Entitlement



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 the taxable income of adults within the family. 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. Up to £2,500 of any change in annual income between the previous or current year is disregarded in the calculation. 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 provisional incomes and other circumstances as reported at the date when the statistics were extracted.

Technical notes

What the publication tells us

The finalised awards are published in June 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. 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 and consequently publication is delayed until May.

Each release consists of four publications: the main publication, a supplementary payments publication, and the accompanying geographical publications. The statistics in this release include analysis at the following geographical levels:

- Country and English Region
- Local Authority (LA)
- Westminster Parliamentary Constituency
- Scottish Parliamentary Constituency

This series has been produced annually since the introduction of tax credits in April 2003.

Small Area Statistics

Estimates are also provided in a separate publication at Lower Super Output Area and Data Zone for England, Scotland and Wales. These statistics are available here:

https://www.gov.uk/government/collections/personal-tax-credits-statistics

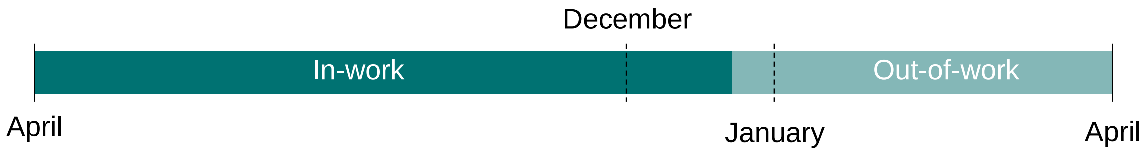
The small area statistics are based on the finalised award position, but using a family's circumstances as at 31st August rather than as an average across the year. This ensures that the statistics are directly comparable to other published small area statistics, such as Child Benefit.

Provisional awards vs finalised awards

It is important to recognise that the finalised awards statistics are not a revision of the provisional statistics. The provisional numbers relate to the caseload position at a snapshot point in time, based on the family circumstances HMRC have been informed of by each family prior to that particular time. The finalised awards relate to the complete retrospective picture for the year, based on a finalised view of family incomes and circumstances. The caseload population will be different between the two publications as a result of HMRC knowing the complete finalised picture of the award.

At the start of the year, the tax credit award will be a provisional award reflecting the reported circumstances as at 6th April (the start of the tax year). Over the course of the year, a family's circumstances may or may not change. The provisional award is updated each time a family's circumstances change with the latest set of circumstances and a new provisional award is calculated. It is only at finalisation (usually four to nine months after the end of the tax year) that the family's circumstances for the whole year are known and a finalised award can be calculated. As a result, the finalised award statistics are not available until around 12 months after the end of the entitlement year in question. Given this lag in availability of data, there is some value in looking at a snapshot of families' circumstances at any given time to give some indication of the level of support one might expect to see subsequently at finalisation.

To illustrate the difference, let us look at a family that has one change of circumstance throughout the year, moving from in-work to out-of-work in January of any one year.



The snapshot data looking at the provisional award in December will model entitlement for the whole year on the basis that the family is in-work for the whole year (since we do not know about the move out-of-work at that time). It is not until finalisation, and thereby in the finalised award data publication, that the family's entitlement will be modelled on the basis of 9 months in-work and 3 months out-of-work.

Therefore, the figures for provisional awards are more up to date, but are subject to retrospective change. The sizes of these changes can be seen by comparing the data for selected dates in finalised awards with data published earlier on provisional awards at the same time snapshot dates. The provisional award data classify families according to the levels of their entitlement at the reference date, modelled from data on their circumstances and their latest annual incomes reported by that date. The actual amount being received at that date can be lower, due to recovery of earlier overpayments.

Out-of-work families

A family is defined as being out-of-work at the reference date if both adults, or the single adult, does not work for at least 16 hours per week, these families can fall into two categories:

1. Families administered by HMRC who are receiving their child support through CTC
2. Families administered by DWP and claiming their child support through benefits

Child Tax Credit was introduced in April 2003 and any application since then falls under 1), whereas families who were receiving out-of-work benefits prior to April 2003 and remain so will fall under 2) – these cases are being migrated over to HMRC. All the tables in this publication include all out of work families, irrespective of the source of their support.

Which publication should I use?

Generally, if you are content with less timely statistics, use the finalised awards data publication. If you are more concerned with getting the latest up-to-date information that may not align exactly with finalised data further down the line, use the provisional awards data. Sticking to the finalised award data will also mean the figures will align with other published data on tax credits, such as information in HMRC's Departmental Accounts. The latest finalised award publication can be found using the web link: https://www.gov.uk/government/collections/personal-tax-credits-statistics

What information do the tables contain?

These tables show the number of 2016-17 awards, analysed by whether payments[1] for 2016-17 and issued in 2016-17 were lower or higher than the finalised entitlement. Such awards are described as underpaid or overpaid at 5 April 2017, respectively. Note that this is known only after awards are finalised.

Tables 1 and 2 show the high level number of awards and amount over and underpaid by type of award for 2016-17. Table 3 provides a breakdown by level of over and underpayment by type of award.

To produce the analysis for Table 4 we have matched to other sample data to provide the profile of the award (i.e. WTC and CTC, CTC only), this table shows the number and amounts of over and underpayments by family type and the award profile position. The last two tables, Tables 5 and 6, go into further detail about the levels of income reported for 2016-17 and in Table 5 the number and amount of over and underpayments is provided broken down by the 2016-17 income band. Table 6 provides a comparison between the reported incomes in 2015-16 and 2016-17 for the entire tax credits population in 2016-17.

[1] Payments are scored after adding back reductions made to recover earlier overpayments. Other transactions include the in-year direct recovery and remission of 2014-15 overpayments.

Universal Credit

Universal Credit (UC) is a payment to help with living costs for those on a low income or out of work. UC was introduced in April 2013 in certain areas of North West England. Since October 2013, it has progressively been rolled out to other areas. Claimants receive a single monthly household payment, paid into a bank account in the same way as a monthly salary and support for housing costs, children and childcare costs are integrated into Universal Credit. Child Tax Credit will be replaced as Universal Credit rolls out.

Further information about Universal Credit, including making a claim, is available online here:
https://www.gov.uk/universal-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 the most comprehensive data on Tax Credits. Specifically, there are aggregate statistics on who is getting what level of tax credits support and the amount of that support, as well as breakdowns of both by various sub-categories - e.g., family composition, family income, work status, and geographical analyses. 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 for people considering wider questions on government support systems and/or others designing benefit systems. Finally, the geographical analyses might be of interest at the more local level, giving some indication of the level of government support in each Region/Local Authority level.

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:
https://www.gov.uk/government/organisations/hm-revenue-customs/about/statistics#contact-us

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 by email to the below address. 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.
benefitsandcredits.analysis@hmrc.gsi.gov.uk

Revision policy

This policy has been developed in accordance with the UK Statistics Authority Code of Practice for Official Statistics and Her Majesty's 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.

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.

Appendix A: 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 2017. For each 2016-17 award, the scan contained the aggregate of each of (a) 2016-17 entitlement postings up to 5 April 2017, and (b) payments and other transactions for 2016-17 posted up to 5 April 2017 (but including, exceptionally, manual payments for 2016-17 issued in 2016-17 and posted during 2016-17). 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 2016-17 overpayments identified in-year are include at (b) above if they were posted to accounts by 5 April 2017.

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 2016-17 were not recorded on the computer system, such as manual payments issued in 2016-17 but not posted to accounts by April 2017. However, the numbers and amounts involved are extremely small.

By definition, the data exclude payments made after 5 April 2017, even if these were the sole cause of, or increased, 2016-17 overpayments as measured at a later date.

How overpayments and underpayment are made

During 2016-17, 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 2016-17 incomes. Payments were then adjusted so that, as far as possible, the new calculated annual entitlement was paid over by 5 April 2017.

Most underpayments and overpayments arose through no 2015-16 incomes being reported until finalisation in 2015-16. They also arose when claimants failed to report changes of circumstances until after the year end; or when changes (or estimated 2015-16 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

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. 2016-17". Only such awards with positive payment postings are included in the tables.

2016-17 awards are described as "Terminated" if the families (a) failed to report by the specified date their actual 2016-17 incomes or other details, (b) according to the latest information, ceased to meet the qualifying conditions for tax credits[2] before the start of 2016-17, or (c) failed to return a signed 2016-17 award notice.

The entitlements of such awards are set to zero. The awards are included in the tables if payments for 2016-17 were made during 2016-17, and not fully recovered (and not remitted) in 2016-17; they are by definition overpaid at 5 April 2017.

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.

Disputed overpayments, remissions and recovery suspension

Overpayments remitted due to official error are included in the tables unless remitted by 5 April 2017. 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 2017.

Overpayments arising after the year end, and from unposted payments

The data used to compile the main tables exclude (a) manual payments issued in 2016-17 but not posted to customer accounts by 5 April 2017 and (b) payments and other transactions for 2016-17 made after that date.

Aggregates including these transactions, and the equivalent figures for 2003-04 to 2011-12, 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

44 thousand awards were underpaid, and 19 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.

[2] Responsible for children; or including an adult who was a disabled worker or was aged 25+ and worked for 30+ hours per week.

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 2016-17, which is the same as the number of awards with positive entitlement averaged over the year. These tables cover all 2016-17 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 2017 and (b) other awards. The latter comprises awards terminated, ceased by 5 April 2017, or made only in 2016-17 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.

Comparison to main finalised awards publication

Occasionally the figures provided for the United Kingdom (including foreign and not known) will not match exactly with the figures in the main finalised awards publication. This is due to a small discrepancy caused by the methodology used to best allocate geographies to the data, and the subsequent grossing. Where there are differences they are normally only 1 or 2 units different.

Appendix B: Annual entitlement (£) by tax credit elements and thresholds:

	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Child Tax Credit										
Family element	545	545	545	545	545	545	545	545	545	545
Family element, baby addition[i]	545	545	545	545	-	-	-	-	-	-
Child element[ii]	1,845	2,085	2,235	2,300	2,555	2,690	2,720	2,750	2,780	2,780
Disabled child additional element[iii]	2,440	2,540	2,670	2,715	2,800	2,950	3,015	3,100	3,140	3,140
Severely disabled child element[iv]	980	1,020	1,075	1,095	1,130	1,190	1,220	1,255	1,275	1,275
Working Tax Credit										
Basic element	1,730	1,800	1,890	1,920	1,920	1,920	1,920	1,940	1,960	1,960
Couples and lone parent element	1,700	1,770	1,860	1,890	1,950	1,950	1,970	1,990	2,010	2,010
30 hour element	705	735	775	790	790	790	790	800	810	810
Disabled worker element	2,310	2,405	2,530	2,570	2,650	2,790	2,855	2,935	2,970	2,970
Severely disabled adult element	980	1,020	1,075	1,095	1,130	1,190	1,220	1,255	1,275	1,275
50+ return to work payment[v]										
16 but less than 30 hours per week	1,185	1,235	1,300	1,320	1,365	-	-	-	-	-
at least 30 hours per week	1,770	1,840	1,935	1,965	2,030	-	-	-	-	-
Childcare element										
Maximum eligible costs allowed (£ per week)										
Eligible costs incurred for 1 child	175	175	175	175	175	175	175	175	175	175
Eligible costs incurred for 2+ children	300	300	300	300	300	300	300	300	300	300
Percentage of eligible costs covered	*80%*	*80%*	*80%*	*80%*	*70%*	*70%*	*70%*	*70%*	*70%*	*70%*
Common features										
First income threshold[vi]	5,220	6,420	6,420	6,420	6,420	6,420	6,420	6,420	6,420	6,420
First withdrawal rate	*37%*	*39%*	*39%*	*39%*	*41%*	*41%*	*41%*	*41%*	*41%*	*41%*
Second income threshold[vii]	50,000	50,000	50,000	50,000	40,000	-	-	-	-	-
Second withdrawal rate	*1 in 15*	*1 in 15*	*1 in 15*	*1 in 15*	*41%*	-	-	-	-	-
First income threshold for those entitled to Child Tax Credit only[viii]	14,495	15,575	16,040	16,190	15,860	15,860	15,910	16,010	16,105	16,105
Income increase disregard[ix]	25,000	25,000	25,000	25,000	10,000	10,000	5,000	5,000	5,000	2,500
Income fall disregard[ix]	-	-	-	-	-	2,500	2,500	2,500	2,500	2,500
Minimum award payable	26	26	26	26	26	26	26	26	26	26

[i] Payable to families for any period during which they have one or more children aged under 1. Abolished 6 April 2011.
[ii] 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 20 (under 19 to 2005-06) and in full-time non-advanced education, or under 19 and in their first 20 weeks of registration with the Careers service or Connexions.
[iii] Payable in addition to the child element for each disabled child.
[iv] Payable in addition to the disabled child element for each severely disabled child.
[v] Payable for any period during which normal hours worked (for a couple, summed over the two partners) is at least 30 per week.

[vi] Payable for each qualifying adult for the first 12 months following a return to work. Abolished 6 April 2012.
[vii] 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.
[viii] Those also receiving Income Support, income-based Jobseeker's Allowance or Pension Credit are passported to maximum CTC with no tapering.
[ix] Introduced from 6 April 2012, this drop in income is disregarded in the calculation of Tax Credit awards.