Coverage:
Great Britain

Released:
31 July 2018

HM Revenue and Customs
KAI Benefits and Credits

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

2016 to 2017

Media contact:
HMRC Press Office
020 7147 2318

Statistical contacts:
Daniel Lloyd
benefitsandcredits.analysis@hmrc.gsi.gov.uk

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

A National Statistics Publication

Child and Working Tax Credit Statistics

Small Area Data

31st August 2016

Contents

Introduction 2

Definitions 2

  What are tax credits? 2

  Working Tax Credit (WTC) 2

  Child Tax Credit (CTC) 4

  Child and Working Tax Credit Entitlement 5

Technical notes 6

  What the publication tells us 6

  Universal Credit 8

Uses of these statistics and user engagement 9

  Uses of these statistics 9

  User Engagement 9

  User Notification 9

Revision policy 10

  Scheduled revisions 10

  Unscheduled revision 10

  Disclosure control 10

Families benefitting from childcare costs and reference dates 11

Appendix A: Technical Note 12

  Families with child support through IS/JSA: 12

  Modelled tax credits awards: 12

Appendix B: Annual entitlement (£) by tax credit elements and thresholds: 13

A National Statistics Publication

National Statistics are produced to high professional standards as set out in the Code of Practice for Official Statistics. They undergo regular quality assurance reviews to ensure they meet customer needs and are produced free from any political interference.

The United Kingdom Statistics Authority has designed these statistics as National Statistics, in accordance with the Statistics and Registration Service Act 2007 and signifying compliance with the Code of Practice for Official Statistics.
http://www.statisticsauthority.gov.uk/assessment/code-of-practice/

Designation can be broadly interpreted to mean that the statistics:
- meet identified user needs;
- are well explained and readily accessible;
- are produced according to sound methods;
- are managed impartially and objectively in the public interest;
- are produced to the highest standard, ensuring that data confidentiality has been maintained

Once statistics have been designed as National statistics it is a statutory requirement that the Code of Practice shall continue to be observed.

For general enquiries about National Statistics, contact the National Statistics Public Enquiry Service on:

Tel: 0845 601 3034
Overseas: +44 (01633) 653 599
Minicom: 01633 812 399
E-mail: info@statistics.gov.uk
Fax: 01633 652 747

Letter: Customer Contact Centre, Room 1.101, Government Buildings, Cardiff Road, Newport, South Wales, NP10 8XG.

You can also find National Statistics on the internet at www.statistics.gov.uk

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 2016. They are based on a snapshot of the 2016-17 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. Introduced in 2003, the system forms part of wider government policy to provide support to parents returning to work, reduce child poverty and increase financial support for families. The system is designed flexibly so that as families' circumstances change, (daily) entitlement to tax credits can change. 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 working tax credit and child tax credit, explained below.

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.

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 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.

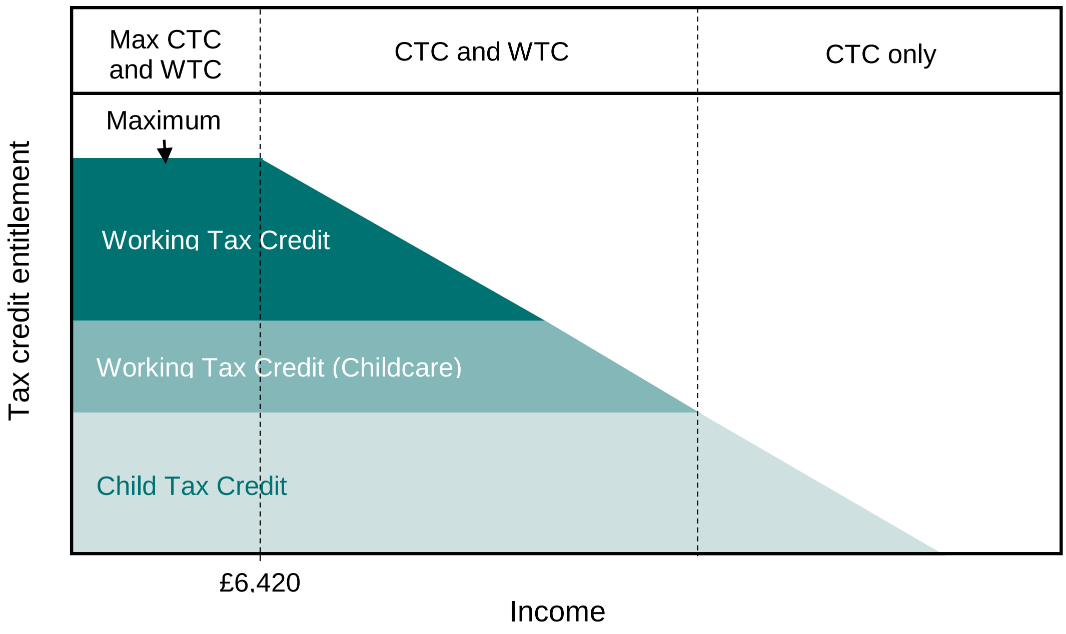
Child and Working Tax Credit Entitlement

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 3-4).

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 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 2016 small area data is based on the 2016-17 finalised awards data, but only awards live as at 31st August 2016 are selected for inclusion in this publication, therefore the estimates in this publication will not match exactly with the estimates from the 2016-17 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-2016-to-2017
This series has been produced annually since 2005.

Awards data live as at 31st August 2016 are used in order to align this publication with the "Child Benefit: small area statistics" publication. The link to these National Statistics is:
https://www.gov.uk/government/statistics/child-benefit-small-area-statistics-august-2016

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. LSOAs are maintained as part of the 2011 Census Output Area (OA) maintenance and are split or merged where they breach predefined population and household thresholds. Therefore LSOA boundaries may change from year-to-year.

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 2016 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 2016, given the family size, hours worked, childcare costs and disabilities at that date, and their 2016-17 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 2016.

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 LSOAs (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. 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 2016.

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

Debt recovery

The Chancellor announced in the 2014 Budget that from April 2016 the rate of tax credits debt recovery will increase from 25% to 50% for households with an income greater than £20,000 a year.

Freeze on WTC and CTC elements

Prior to 2011, Tax Credit elements were increased each year using the Consumer Prices Index (CPI). Since April 2011, the basic element of WTC and the 30 hour element were frozen for 3 years. In April 2014, HMRC announced that most tax credit elements would increase by 1%, except disabled adult and child elements that would increase using CPI (a higher rate than 1%). A further announcement from HMRC stated all elements of WTC and CTC would be frozen for 4 years, again with the exception of the adult and child disability elements which will continue to be increased by CPI.

Decrease in income disregard to £2500

HMRC announced in the Summer Budget for 2015, the income increase disregard would reduce to £2,500 from 6th April 2016.

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 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 awards data, 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 2016, that is, with eligible childcare costs at 31st August 2016 (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 2016 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 2016-17:

Number of families benefiting from the childcare element at:

	Thousands
06 April 2016	367
30 April 2016	355
31 May 2016	361
30 June 2016	366
31 July 2016	369
31 August 2016	354
30 September 2016	355
31 October 2016	357
30 November 2016	360
31 December 2016	361
31 January 2017	366
28 February 2017	371
05 April 2017	375

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.

	Thousands
Benefiting at 30 June, but not at 31 August	40
Not benefiting at 30 June, but benefiting at 31 August	28
Benefiting at 31 August, but not at 30 September	26
Not benefiting at 31 August, but benefiting at 30 September	30

The table indicates that there were 28 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 2016 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 2016.

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: 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.