

## The Tax Credits

### Working Families' Tax Credit:

There will be four parts to WFTC

- Basic tax credit - payable to all who are entitled to WFTC (£52.30).
- 30 hour tax credit - payable when either the applicant or their partner work 30 hours or more each week (£11.05).
- Tax credit for each eligible child - with different rates according to the child's age, ranging from £19.85 up to age 11, £20.90 for ages 11 to 15 and £25.95 for ages 16 to 18. From April 2000 the under 11 child tax credit will go up by a further £1.10 over and above any inflation rises
- Childcare tax credit - payable when there are eligible childcare costs incurred.

For WFTC, applicants can earn £90 (net income) per week before their maximum credit begins to be reduced by 55 pence for £1 of income above £90.

From October 2000 there will be an additional disabled child's tax credit for WFTC.

### Disabled Person's Tax Credit:

There will be 5 parts to DPTC

- Basic tax credit - payable to all who are entitled to DPTC (£54.30 single no children and £83.55 for lone parents and couples)
- 30 hour tax credit - which is the same as WFTC
- Tax credit for each eligible child - same as WFTC
- Disabled child's tax credit - payable when a dependent child is in receipt of Disability Living Allowance or registered blind
- Childcare tax credit - payable when there are eligible childcare costs incurred.

As with WFTC the same rates apply for couples and lone parents (ie ... £90), however single applicants with no children will be able to earn £70 per week before their maximum credit begins to reduce by 55 pence for each £1 of income above these amounts.

### **Childcare Tax Credit:**

A maximum of 70% of eligible childcare costs

- up to costs of £100 per week for 1 child (ie up to an extra £70 per week)
- and £150 for 2 or more children (ie up to an extra £105)

Eligible Childcare:

In order to qualify, parents must be both earning and working 16 hours per week or more. The exception to this is where one parent is working 16 hours or more and other non-working parent is in receipt of a qualifying disability benefit. Lone parents must be earning and working 16 hours or more per week. The age limit for eligible childcare has been increased to the first Tuesday in September following the child's 15<sup>th</sup> birthday (the first Tuesday following their 16<sup>th</sup> birthday if child in receipt of DLA or registered blind).

They must also use eligible childcare ie playschools, nurseries, registered childminders etc and, for children aged 8 and over childcare run by a school, or on school premises, or by a local authority. These can be breakfast clubs, after-school clubs and holiday playschemes.

### **Tax Credits and Benefits:**

The tax credits do not take into account any Housing Benefit or Council Tax Benefit as income when calculating entitlement. However, Housing Benefit and Council Tax Benefit will include WFTC and DPTC as income. Housing Benefit includes help with childcare in line with WFTC.

**More detail regarding the Working Families' and Disabled Person's Tax Credits is available on request.**