

Tax Credits

For Blind and Partially Sighted People 2009/2010

This fact sheet tells you how to claim Working Tax Credit and Child Tax Credit. It is useful for severely sight impaired (blind) and sight impaired (partially sighted) people and those individuals and organisations which support them.

Basic rules

Claim one or both of these benefits if:

- you are blind or partially sighted; **and**
- you are aged 16 or over; **and**
- you work 16 hours or more a week; **and/or**
- you, or your partner, are responsible for a child or young person.

Please note that different rules apply for non-disabled people.

Why claim Working Tax Credit (WTC)?

WTC is a tax-free payment that tops-up low wages. If you are blind or partially sighted, you receive a higher rate of entitlement. However, you should seek advice if you intend to start work, as WTC may reduce the amount of any Housing Benefit and Council Tax Benefit you receive, because it is counted as income.

Disability element

WTC has an extra allowance for disabled people. To qualify for this extra allowance you need to show that:

- you are disabled; **and**
- you are getting, or were getting, a qualifying benefit such as Incapacity Benefit or Disability Living Allowance (DLA).



Action for blind people

What qualifies as being disabled?

You are classed as disabled if you are registered severely sight impaired (blind) or sight impaired (partially sighted). If you are not registered severely sight impaired (blind) or sight impaired (partially sighted), you must demonstrate that you are 'at a disadvantage in getting a job' because of your disability. To pass the test you need to show that you 'cannot see to read 16 point print at a distance greater than 20 centimetres' even with the aid of glasses or contact lenses.

Qualifying benefit

You will satisfy the qualifying benefit condition if you are getting DLA or Attendance Allowance. Most blind and partially sighted people should be getting DLA or Attendance Allowance (see our **Disability Living Allowance** or **Attendance Allowance** fact sheets). Alternatively, you qualify if on at least one day in the 26 weeks before you claim, you were getting:

- Incapacity Benefit at the short-term higher rate; **or**
- Incapacity Benefit at the long-term rate; **or**
- Severe Disablement Allowance; **or**
- the disability premium in your Income Support, Income-based Jobseeker's Allowance, Housing Benefit or Council Tax Benefit; **or**
- Employment and Support Allowance for at least 28 weeks before the qualifying day.

If you do not receive any of the above benefits, you may satisfy the 'qualifying benefit' condition using the 'fast track' route. Contact us for further advice if this applies to you.

How much is Working Tax Credit (WTC) worth?

WTC is calculated on an annual basis. The amount you get depends on the size of your family, your annual wages, how many hours you work and your childcare costs. Some other types of income are also taken into account.

Examples of how much some blind and partially sighted claimants get:

- Mr Brown is registered severely sight impaired (blind), single, works 28 hours a week and earns £8,342 gross per year. He is entitled to WTC of £3,670.42 per year (approximately £70 per week) .
- Mr O'Connor is registered severely sight impaired (blind), works full-time and earns £13,260 gross per year. He is also a single parent. He is entitled to WTC of £4,387.40 per year (approximately £84 per week). Mr O'Connor would also be entitled to £112.40 per year (approximately £2 per week) Child Tax Credit - please see the section on **Child Tax Credit** for further information on this benefit.

The calculation

To work out how much WTC you can get, follow these steps:

Step 1. Work out your 'maximum WTC'

(a) add together the different elements relevant to you

The 2009 - 2010 annual rates are:

| | |
|---|--------|
| Basic element | £1,890 |
| 30 hours element (if you work 30 hours or more per week) | £775 |
| Couple/lone parent element | £1,860 |
| Disability element | £2,530 |
| Severe disability element (if you get DLA higher rate care component or higher rate Attendance Allowance) | £1,075 |

These figures are the annual equivalent of the daily rate.

(b) add the 'childcare element'

You can do this if:

- you pay a nursery or registered childminder; **and**
- you are a lone parent working at least 16 hours per week; **or**
- you and your partner work at least 16 hours per week; **or**
- you work over 16 hours per week and your partner is incapable of work.

The amount you add is 80% of the fees you pay up to a maximum of £175 for one child and £300 for two or more children. So, the maximum amount you can add is £140 for one child or £240 for two or more children.

Example of calculating 'maximum WTC'

Mr Smith is registered severely sight impaired (blind), single and gets DLA low rate mobility and middle rate care. He has one child but does not pay for childcare. He works 35 hours per week. His 'maximum WTC' is therefore:

| | |
|------------------------------|---------------|
| Basic element | £1,890 |
| Couple / lone parent element | £1,860 |
| 30 hours element | £775 |
| Disability element | £2,530 |
| <u>Total</u> | <u>£7,055</u> |

Step 2. Work out your income

HM Revenue and Customs calculate your WTC on your average yearly income from the preceding tax year (6 April 2008 to 5 April 2009). You therefore need to check your gross pay and taxable benefits from that year and add certain other income. Check HM Revenue and Customs' guidance notices to see if there are any deductions you can make from your income. The most common deductions include money donated to a charity under the Gift Aid scheme, money paid into a personal pension or self-employed losses of either yourself or your partner for the previous tax year.

Other income might be any taxable interest from savings or any other income from capital. However you should not add any Child Benefit, DLA, Attendance Allowance or child maintenance payments.

Example:

Mr Smith's gross pay was £10,430 last year. He has savings, but as they are in a tax-free ISA account, HM Revenue and Customs ignore his interest from them. They also ignore his DLA.

Step 3. Compare your income to your 'income threshold'

Your 'income threshold' is the limit that you can earn before your 'maximum WTC' starts going down. The income threshold for all claimants is £6,420 per year.

If your income is less than, or the same as, the 'income threshold', then you get the maximum WTC calculated at step 1. If your income exceeds the 'income threshold', then you need to work out the difference and go to **step 4**.

In Mr Smith's case, his income is greater than the 'income threshold'. His income of £10,430 therefore has the income threshold of £6,420 taken off it. This leaves £4,010.

Step 4. Multiply the difference by 39%

You need to multiply the difference figure (i.e. the result of **step 3**) by 39%.

Step 5. Subtract from your 'maximum WTC'

After you have subtracted this amount from the 'maximum WTC', the result is the amount of Working Tax Credit you will get.

In Mr Smith's case, 39% of the result of **step 3** is £1,563.90. Subtract this figure from his 'maximum WTC' (£7,055). This leaves £5,491.10 (approximately £105 per week). This is the amount of WTC he is entitled to.

Why claim Child Tax Credit (CTC)?

Child Tax Credit is a tax-free payment for people, whether working or not, who are responsible for children. If you have a child who is blind or partially sighted, you get a higher rate of entitlement.

If you get CTC above the basic family element of £10.50 per week, you may be entitled to the Sure Start maternity grant.

Responsible for a child or young person

You can be paid CTC for a child or young person who normally lives with you. For Tax Credit purposes a child is someone aged under 16, but they will continue to be treated as a child until the 1 September following their 16th birthday.

A young person is someone over the age of 16 but under 20, who is in full-time, non-advanced education or on an approved training scheme. If they are 19 they must have started the course of education or training before their 19th birthday. It is not possible to claim CTC for a young person once they start work or undertake training provided by an employer. The same applies if they start to claim Employment and Support Allowance, Income-based Jobseeker's Allowance, CTC for their own child or WTC in their own right.

If you start to receive CTC or your level of award changes, and you are claiming Housing Benefit and/or Council Tax Benefit, you should inform the Benefits and Revenues Section at your Local Authority. This is because CTC may reduce the amount of these benefits that you get as it is counted as income.

How much is CTC?

As with WTC, CTC is calculated on an annual basis. The amount of CTC you get depends on the size of your family and your gross annual wage. Some other types of income are also taken into account.

Examples of how much some blind and partially sighted claimants get:

- **Mr Ford** is registered sight impaired (partially sighted) and works full-time, earning £25,495 gross per year. His wife has no income and they have two children under 16, one of whom is registered severely sight impaired (blind). Mr Ford earns too much to get WTC, however the family are entitled to £3997.55 CTC per year (approximately £76.67 per week).
- **Ms McKee** is a lone parent with a son who is five, both are registered severely sight impaired (blind). Ms McKee works for 16 hours a week and spends the rest of her time caring for her son. She earns £9,000 gross per year. Ms McKee gets £9,717.60 in Tax Credits (£4,443.80 CTC and £5,273.80 WTC) per year, which is approximately £186 per week.

The calculation

To work out how much CTC you can get, follow these steps:

Step 1. Work out your 'maximum CTC'

Add together the different elements relevant to you.

The 2009 - 2010 annual rates are:

| | |
|---|--------|
| Family element | £545 |
| Family element (addition for baby under one) | £545 |
| Child element (one per child) | £2,235 |
| Disabled child element | £2,670 |
| Severely disabled child element (if your child gets DLA higher rate care component) | £1,075 |

These figures are the annual equivalent of the daily rate.

Example of calculating 'maximum CTC'

The maximum CTC for Mr Smith, who has one qualifying child (please see the section **Example of calculating maximum WTC**) is therefore:

| | |
|----------------|---------------|
| Family element | £545 |
| Child element | £2,235 |
| <u>Total</u> | <u>£2,780</u> |

Step 2. Work out your income

This is calculated in the same way as for WTC. HM Revenue and Customs calculate your CTC on your average yearly income from the preceding tax year (6 April 2008 to 5 April 2009). You therefore need to check your gross pay and/or taxable benefits from that year and add certain other income. Check HM Revenue and Customs' guidance notices to see if there are any deductions you can make from your income. The most common deductions would be money donated to a charity under Gift Aid, money paid into a personal pension or self-employed losses of either yourself or your partner for the previous tax year.

Other income might include taxable interest from savings or any other income from capital. However you should not add any Child Benefit, DLA, Attendance Allowance or child maintenance payments.

Mr Smith's gross pay was £10,430 last year. He has savings, but as they are in a tax-free ISA account, HM Revenue and Customs ignore his interest from them. They also ignore his DLA.

Step 3. Compare your income to your 'income threshold'

Your 'income threshold' is the amount of income that you can have before your 'maximum CTC' starts going down. The 'income thresholds' for 2009 - 2010 are:

| | |
|---|---------|
| Working Tax Credit | £6,420 |
| Child Tax Credit (only) | £16,040 |
| Child Tax Credit (if you are only entitled to the family element, i.e. your income exceeds £16,040) | £50,000 |

If you qualify for both CTC and WTC, the WTC threshold figure is used in the calculation, otherwise the CTC thresholds are used.

If your income is less than the 'income threshold', then you get the maximum CTC calculated at **step 1**. If your income exceeds the 'income threshold', then you need to work out the difference and go to **step 4**.

In Mr Smith's case, his income is greater than the 'income threshold'. His income of £10,430 therefore has the income threshold of £6,420 taken off it. This leaves £4,010.

Step 4. Multiply the difference by 39%

You need to multiply the difference figure (i.e. the result of **step 3**) by 39%.

Step 5. Subtract from your 'maximum CTC'

After you have subtracted this amount from the 'maximum CTC', the result is the amount of CTC you will get.

In Mr Smith's case, 39% of the result of **step 3** is £1,563.90. Subtract this figure from his 'maximum CTC' (£2,780). This leaves £1,216.10 (approximately £23 per week). This is the amount of CTC he is entitled to.

Calculating your total Tax Credits

To work out the total Tax Credits you will get each week, simply add together your WTC and CTC.

For example, Mr Smith gets £5,491.10 WTC plus £1,216.10 CTC, making a total of £6,707.20 (approximately £128 per week) in Tax Credits.

Due to the complex nature of the WTC and CTC calculations, the amount awarded can vary depending on when in the tax year you apply. All the examples provided should therefore be used as general guidance only.

What happens if my circumstances change?

You get WTC and CTC for one tax year at a time. Usually your award will not change over the year. However, you should report the following changes in circumstance to HM Revenue and Customs as they will affect your award:

- if you start or stop living with another person as part of a couple;
- if you or your partner start or stop getting the DLA care component or Attendance Allowance at the higher rate;
- if you start or stop needing help with childcare costs, or the cost of childcare fluctuates by more than £10 per week;
- if your income is reduced;
- if your income rises by more than £25,000 a year;
- if you are no longer eligible for WTC because you stop working (see below), or your hours of work are reduced to below 16 hours per week;
- if you no longer have a qualifying child living with you;
- if your child is over 16 and is no longer in full-time education;
- if your child starts or stops getting the DLA care component at the higher rate.

What if I leave my job?

If you leave your job, your WTC ends, however your claim will not be finalised until after the end of the tax year. You should notify HM Revenue and Customs immediately if you change jobs, or if you do not get another one. This is because you may have to repay an overpayment (see below).

If you have worked for less than two years and received Incapacity Benefit, Employment and Support Allowance or Severe Disablement Allowance before you worked, you may be able to go back on it at the same rate through the 'linking rule'. Please contact us if you would like further information about the 'linking rule'.

Overpayments

HM Revenue and Customs check that you received the correct amount of WTC and CTC at the end of the tax year. If you were underpaid, they will give you what they owe you in a single payment. If you were overpaid, they will contact you to arrange a method for you to repay. Where possible, they will reduce future tax credit entitlement by a percentage. Where there is not an ongoing claim, they will use direct recovery. If you cannot repay it all at once, you should be able to arrange to repay in instalments over 12 months. If you require a longer period to pay, then this must be negotiated and will depend on your circumstances. In some cases of hardship, the Tax Credit Office may agree to write off the debt. Further information about the above can be found in HM Revenue and Customs' leaflet 'Code of Practice 26'.

As the amount of WTC and CTC you get is based on your previous tax year's income, you may be overpaid, particularly if you are just starting work following a period of unemployment. You may therefore want to notify HM Revenue and Customs of your actual income once you start work, so that they can reduce your payments to the correct rate. If you are self-employed, you may wish to inform HM Revenue and Customs of your income at quarterly intervals, so that they can adjust your WTC and CTC award.

Since the introduction of WTC and CTC, there have been a number of failures in the administration of these benefits particularly relating to overpayments. We would therefore advise you to notify HM Revenue and Customs of any relevant changes to your circumstances as soon as possible in order to avoid any overpayments. You should also inform HM Revenue and Customs if you believe that they have made an error when calculating your award. It is important to do this within one month of receiving an award notification as HM Revenue and Customs may reclaim any overpayment made as a result of a delay of more than one month. If you tell HM Revenue and Customs that they have made an administrative error within one month you will not have to pay back any overpayment made after one month has passed from you receiving your award notification.

How to claim

If you want to claim Working Tax Credit and/or Child Tax Credit, ring the Tax Credits helpline on 0845 300 3900 for a claim pack or visit your local Jobcentre Plus or HM Revenue and Customs Enquiry Centre. If you qualify, your Tax Credits will be paid directly by HM Revenue and Customs. Child Tax Credit is usually paid to the main carer.

continued overleaf

Further Information

HM Revenue and Customs produce a range of leaflets about Tax Credits including 'Child Tax Credit and Working Tax Credit - a guide' (WTC2) and 'Help with the Cost of Child Care – information for parents and childcare providers' (WTC5).

To find out more about Tax Credits and to check if you might qualify visit www.hmrc.gov.uk/taxcredits. You can also get help and further advice if you contact your local advice centre or Citizens Advice Bureau.

Action for Blind People's Welfare Rights Service can also provide advice:

Action for Blind People
Welfare Rights Service
14 - 16 Verney Road
London SE16 3DZ

National Freephone Helpline: 0800 915 4666
Email: benefit.check@actionforblindpeople.org.uk

You can find all of Action's fact sheets, briefings and checklists on our website at: www.actionforblindpeople.org.uk/welfare-rights

This is only a brief guide about how blind and partially sighted people can benefit from Tax Credits. It is not a complete or exhaustive statement of law.

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Action for blind people