

Summary Briefing: Tax Credits in Wales

The current debate about Tax Credits matters to more than a quarter of a million families in Wales who receive some sort of payment. They also matter to 384,300 children who live in families receiving Tax Credits – around half of all children in Wales.

This document is a summary of an Equality and Social Justice Briefing on Tax Credits in Wales which was produced exclusively for Bevan Foundation members and subscribers. Data and analysis related to the key messages below is available in the full briefing.

Key messages for Wales:

- 238,000 households claim Tax Credits.
- Monmouthshire has the lowest Tax Credits claimant rate for working-age households at 18.6%, and Merthyr Tydfil has the highest rate at 32.2%.
- 69% of claimants are in work.
- Approximately one in four working-age households in employment receive Tax Credits.
- 56% are working families with children.
- 384,300 children live in households in receipt of Tax Credits.
- The majority of Tax Credits claims were made by families with one or two eligible children.
- 86% of all money spent on in-work Tax Credits was received by households with an average income of below £20,000.
- The average weekly Tax Credits award is £117.96 per week
- Total expenditure on Tax Credits in Wales is £1.460 billion.
- Approximately one in 20 Working Tax Credits claimants receives the disabled worker element.

1. What are Tax Credits?

1.1. Tax Credits provide financial support to families and working people aged 25 and over. The UK Government states that they are aimed at helping parents returning to work, reducing child poverty and increasing financial support for all families. An individual's or family's entitlement to Tax Credits is based on:

- age;
- income;
- working hours;
- number and age of children;
- childcare costs; and,
- whether they, their partner or child/children has a disability/disabilities.

1.2. Tax Credits calculations are estimated by HMRC using the claimant's household circumstances, including their household income from the previous year and the number of children they are responsible for. Although an income 'disregard'¹ is applied, if a claimant's household circumstances change considerably during the financial year they can request a recalculation or accrue an under- or over-payment. In cases of over-payment, these are usually deducted from the following year's claim or treated as a debt.

1.3. Tax Credits awards are 'tapered' once the household income exceeds the threshold for Child and Working Tax Credits, so many claimants do not receive a full award.

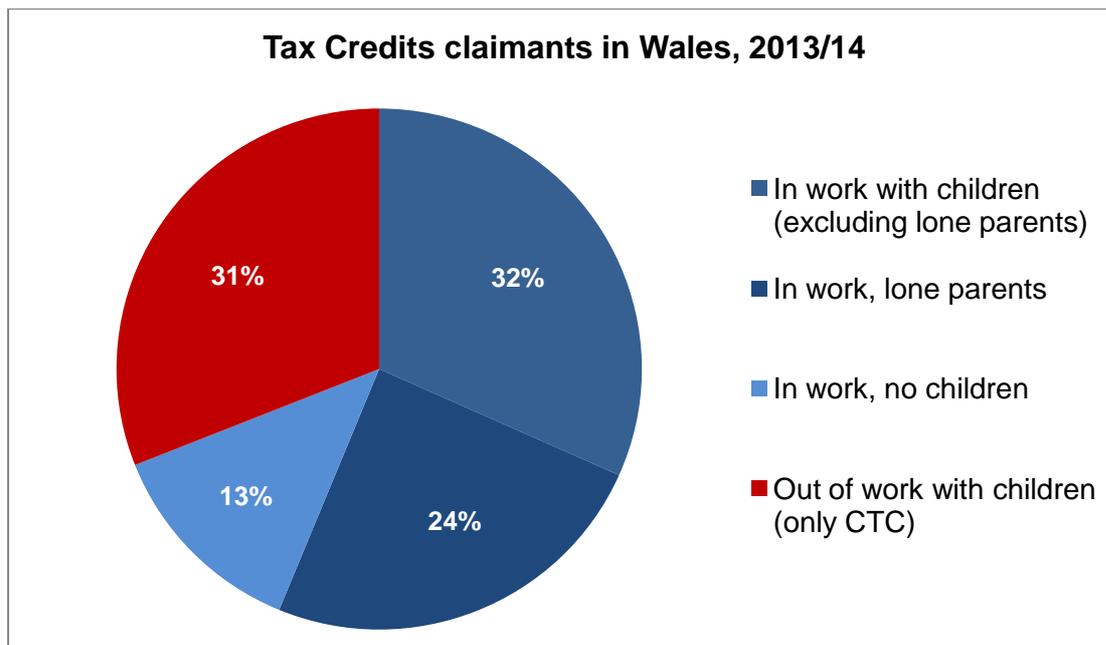
1.4. Tax Credits are a 'qualifying benefit' for certain forms of assistance, such as financial help with energy bills and funeral costs. They are a tax-free benefit, but are taken into account when calculating claims for Housing Benefit, Income Support, income-based Jobseeker's Allowance, income-related Employment and Support Allowance and Pension Credit.

1.5. Tax Credits are made up of Child Tax Credit (CTC) and Working Tax Credit (WTC), both of which have different eligibility criteria and consist of several different 'elements'.

¹ For current claimants, an increase in income is disregarded up to £5,000 and an income decrease is disregarded up to £2,500.

2. Who gets Tax Credits in Wales?

- 2.1. In Wales, 238,000 households are in receipt of Tax Credits. Around seven out of ten families receiving Tax Credits are in work. The majority are families with children, but a substantial minority – around one in ten – are childless but on very low pay.
- 2.2. A small proportion (fewer than 50,000 families) receive only Child Tax Credit – partly, this is to help with the costs of childcare for people with medium-level incomes, e.g. around £26,000.²
- 2.3. The rate of Tax Credits claims varies considerably between different local authority areas (see annexe 1). The areas with the highest Tax Credits claim rates are Merthyr Tydfil, Blaenau Gwent and Caerphilly, where almost a third of working age households are in receipt of the benefit. The areas with the lowest Tax Credits claim rates are Monmouthshire, Powys and the Vale of Glamorgan, where around a fifth of working age households receives it.

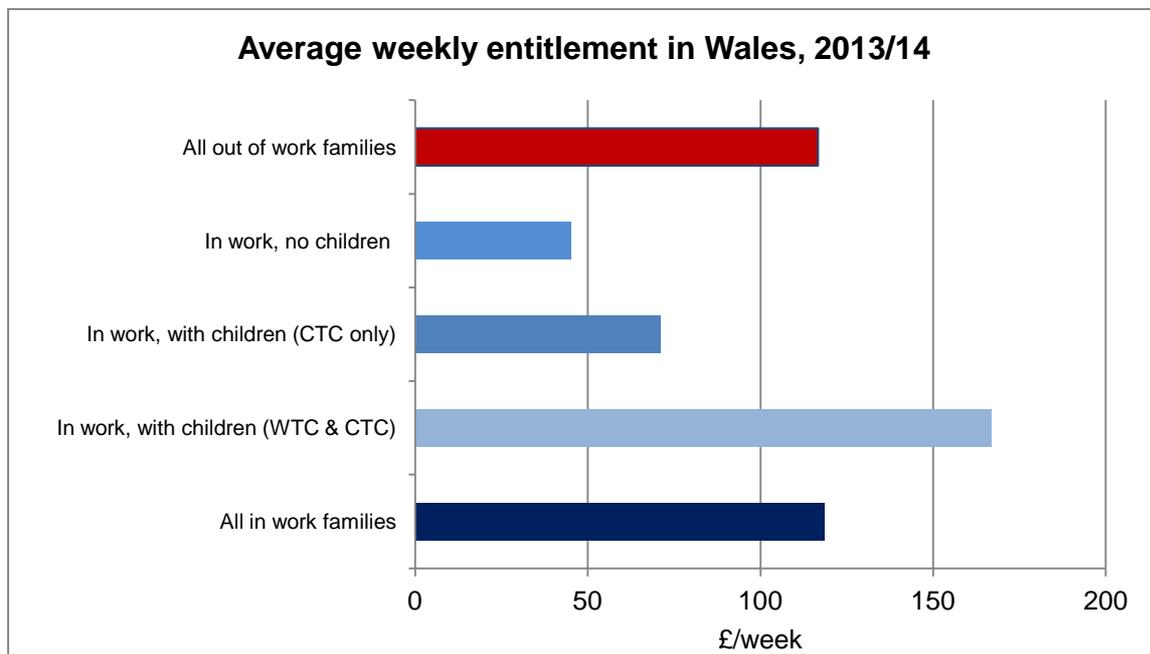


Source: HMRC (2015), *Child and Working Tax Credits statistics finalised annual awards - geographical analysis*, Table 2

² HMRC (2015), *Child and Working Tax Credits statistics finalised annual awards - geographical analysis*, Table 2

3. How much are Tax Credits worth?

- 3.1. The average value for a Tax Credits entitlement in Wales is £117.96 per week. The highest average award is received by in-work families with children who are eligible for both CTC and WTC, who receive £116.94 per week. In-work families eligible for only CTC receive just under half of this on average (£71.09 per week) and the entitlement for in-work claimants without children is worth just over a quarter of this on average (£45.31 per week).
- 3.2. There is a small difference between the average value of in-work and out-of-work Tax Credits claims in Wales, with the average for in-work entitlement slightly higher.
- 3.3. There are minor differences between the average Tax Credits award for out-of-work households in Wales' local authority areas. Blaenau Gwent (£110.81 per week) had the lowest average awards for those out-of work, while Denbighshire (£124.27 per week) had the highest.³
- 3.4. For in-work claimants, the difference between local authorities is greater. The lowest average annual award was in Blaenau Gwent (£111.65 per week) and the highest average annual entitlement was in Cardiff (£130.54 per week).⁴



Source: HMRC (2015), *Child and Working Tax Credits statistics finalised annual awards - geographical analysis*, Table 2

³ Ibid.

⁴ Ibid.

Annexe 1: Rate of Tax Credits claims by local authority area, 2013/14

Local Authority Area	Estimated no. of working-age (16-64) households ¹	Estimated no. of Tax Credits claims ²	Percentage rate of households in receipt of Tax Credits
Monmouthshire	25,838	4,800	18.6%
Powys	38,297	9,300	22.5%
Vale of Glamorgan	111,943	8,600	22.7%
Gwynedd	45,780	8,700	23.4%
Flintshire	74,725	10,700	23.8%
Ceredigion	38,367	5,300	24.2%
Swansea	35,330	17,800	24.6%
Conwy	21,086	8,900	25.1%
Cardiff	41,786	25,400	25.8%
Isle of Anglesey	42,719	5,400	26.7%
Carmarthenshire	20,229	14,500	26.7%
Pembrokeshire	41,938	9,900	26.7%
Denbighshire	53,645	7,600	27.0%
Wrexham	32,873	10,800	27.1%
Neath Port Talbot	27,514	11,400	27.6%
Bridgend	27,412	11,200	27.7%
Torfaen	35,622	7,600	27.8%
Rhondda Cynon Taf	72,529	20,200	27.9%
Newport	45,143	12,600	27.9%
Caerphilly	54,473	15,400	28.3%
Blaenau Gwent	21,761	6,400	29.4%
Merthyr Tydfil	17,717	5,700	32.2%
WALES	926,727	238,000	25.7%

Sources: ¹2011 Census, LC4601EW - Tenure by economic activity by age - Household Reference Persons, accessed via Nomis; ²Child and Working Tax Credits statistics finalised annual awards - geographical analysis, Table 2

Equality and Social Justice Briefings

This document is a summary of an Equality and Social Justice Briefing - a series of bi-monthly briefings on key topics produced by the Bevan Foundation exclusively for members and subscribers. It is available on subscription for £255 plus VAT for 12 months, or is free for Bevan Foundation members. Find out how you can subscribe or join at www.bevanfoundation.org or email info@bevanfoundation.org.

We have made every effort to ensure that the data in this briefing is accurate and up to date at the time of writing. However we cannot be held responsible for any error or omission in the briefing or change in the source data.

All the data used in this briefing is publicly available.

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The Bevan Foundation develops ideas to make Wales a fairer, prosperous and sustainable place. We are independent of government or any political party, and are funded by membership subscriptions, donations, grants from charitable trusts and foundations and commissions.



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