

Going Back to Work

April 2014



With more and more single parents looking for work, having an understanding of how this will impact on your finances is very important. This pack covers the benefits and tax credits you may receive, once you start working 16 hours a week or more, and your childcare options.

Child Benefit

If you have dependent children, you can claim child benefit whether or not you are in work.

Child benefit rates

- First child £20.50
- Second and subsequent children £13.55

- ▶ See our *Money for Single Parents* information pack for more details.
- ▶ www.hmrc.gov.uk/childbenefit
- ▶ Child Benefit Helpline: 0300 200 3100

Tax credits

Tax credits are administered and paid by HM Revenue & Customs. There is one application form for both working tax and child tax credits. How much tax credit you get will depend on your personal circumstances: the number of children you have, the hours you work, your salary and whether you or your children have a disability. Tax credits are normally paid for up to one year from 5th April to 4th April in the following year. If you make an initial claim for tax credits in the middle of the year, your award will run until the end of the tax year.

Note: If you are already receiving child tax credit and try to make a new application for working tax credit, rather than reporting a change of circumstance, the computer system will identify this as a second application and will send out a 'fraud warning'. Your award may then stop.

You cannot claim online. Claim forms are only available from the Tax Credit Helpline.
▶ Tax Credit Helpline: 0345 300 3900

Child tax credit

Most single parents will already be receiving child tax credit before they move into employment as it is paid to both working and unemployed single parents. In order to receive child tax credit, you must be responsible for at least one child under the age of 16 or under 20 if in full-time non-advanced education or training.

Working tax credit

When you take up a job of 16 hours a week or more, you become entitled to working tax credit. You will not be able to claim income support or jobseeker's allowance. As part of your application you can also get some financial support for your registered childcare costs for any children up to the age of 15 years or 16 if your child has a disability.

Tax credit element rates

Child tax credit elements	£ per week	£ per year
Family element (one per family)	£10.50	£545
Child element (per child)	£52.78	£2,750
Disabled child element (for any child receiving Disability Living Allowance)	£59.50	£3,100
Severely disabled child element (for any child receiving highest care component of Disability Living Allowance)	£24.08	£1,255

Working tax credit elements	£ per week	£ per year
Basic (one per family)	£37.24	£1,940
Lone parent (one per family)	£38.22	£1,990
30-hour element (one per family) – paid if you work 30 hours or more a week	£15.40	£800
Disability element – if you have a disability that puts you at a disadvantage of getting a job; if you are receiving a sickness or disability-related benefit	£56.35	£2,935
Severe disability element – if you receive the highest rate of the care component of Disability Living Allowance, higher rate of Attendance Allowance or enhanced daily living component of Personal Independence Payment	£24.08	£1,255

Note: If you are entitled to the severe disability element, you will get the disability element paid as well.

Childcare element of working tax credit	Maximum cost £ per week	Maximum paid £ per week
Up to 70% of your registered childcare costs for one child	£175	£122.50
Up to 70% of your registered childcare costs for two or more children	£300	£210.00

Note: If you earn above £6,420 per year, your working tax credit, including the childcare element, will be reduced so you may not receive the full 70% of your childcare costs.

Changes of circumstance

If your circumstances change during the course of the year, you should report this to HM Revenue & Customs and your award will be altered accordingly. You have a duty to report changes within one month of their occurrence. Changes that should be reported include:

- Becoming a single parent
- Becoming a couple
- Starting work
- Stopping work
- A change in your work hours
- A change of employer
- Changes in your income
- The birth of a new baby
- A child going into care or going to live with the other parent
- A child ceasing full-time non-advanced education
- A disability of either adult or child in the family
- Changes in your childcare provider
- Your childcare costs going down by more than £10 per week for four weeks

When reporting a change of circumstance to HM Revenue & Customs by telephone, always keep a note of the date and time of the call, who you spoke to and what was discussed. Calls are recorded and if there is a dispute, you will be able to request a recording of the call as proof. If in doubt, always ring the tax credit helpline to report a change.

If you are making a claim for disability living allowance, inform HM Revenue & Customs of this so if successful, your tax credits can be backdated to the date of the claim.

If you become eligible for a new element, the award will be increased from the date of change if you have informed HM Revenue & Customs within one month. Changes that reduce your tax credit award will always take place from the date of change, so if you do not report this promptly, you will accrue an overpayment and you may be fined.

The basis of a tax credit award

When an award is initially made, it is a provisional award. At the end of the tax year, HM Revenue & Customs conducts an annual review and finalises your award. Tax credits are initially based on your previous year's income. An increase of up to £5,000 between last year's and this year's income is disregarded when the award is finalised. However, if your current year's income is less than the previous year's, you may ask for the award to be revised based on the current year's predicted income. In this case, there is no disregard for subsequent increases that are still below the previous year. If your income drops by £2,500 or less in the current tax year, your tax credits won't change. If your income drops by more than £2,500 in the current tax year, your tax credits will be readjusted.

If you have asked HM Revenue & Customs to base your award on current year's income, it is essential to keep them informed of any further income changes so your award can be adjusted and you can avoid overpayments and a fine.

Tax credits will continue to be paid for a period of four weeks from the day you stop working 16 hours a week or more.

Annual review and declaration

At the end of the tax year, you will receive an annual review pack between mid- April and the end of June. There are different types of annual review packs and you will need to take different steps, depending on which pack you receive.

Reply is required: This pack contains an annual review and an annual declaration form. These are generally cases where tax credits are still in payment and you will be asked to confirm your income and your circumstances for the previous year.

Automatic renewals: This pack contains an annual review form only. A reply is not normally required because you only receive the family element of child tax credit or you get income support, income-based jobseeker's allowance or income-related employment and support allowance. However, if you have a change of circumstance that might affect your award, you should report this.

Ceased cases: This pack will contain an annual review form only and will be automatically finalised.

Withdrawn cases: This pack will contain an annual review and you will be asked to check the form and report any changes.

Failure to respond means that your award for 2014/15 will not be finalised and there will be no award for 2015/16.

What happens if I have an overpayment?

Overpayments can happen for a variety of reasons: a change of circumstance that hasn't been reported, incorrect information, delays and errors caused by HM Revenue & Customs, not responding to an end of year review and income rises. HM Revenue & Customs has a right to recover any overpayment. Where you are not at fault, you can ask for discretion to be exercised so that the overpayment is not recovered, if you do so within three months.

There is no right of appeal against recovery, therefore it is very important that you carefully check:

- Your award notice carefully when you receive it
- Your payments into your bank account match your award notice
- Your annual review and declaration.

Report any errors that you find immediately.

How to calculate your tax credit award

First calculate your maximum tax credit, add up all the working tax credit and child tax credit elements that you are entitled to. If your gross income (before tax and National Insurance is deducted) is less than £6,420 per year (the threshold), you will receive a maximum tax credit award.

If your income is over £6,420, your maximum award is reduced by 41 pence for every pound (41%) that your

income exceeds the threshold. This is called the taper. Your tax credits are reduced in a particular order: working tax credit elements, childcare element, child tax credit elements and the family element.

There are no capital limits for tax credits but actual income from capital (interest) is taken into account, however the first £300 of this is disregarded.



Case study

Sophie is a single parent with two children aged 5 and 8 years. She works 35 hours per week and her gross income is £12,500 per annum and her afterschool costs are £4,500 per annum. This is how Sophie's tax credit award is calculated.

First calculate her maximum tax credit award:

CHILD TAX CREDIT

FAMILY ELEMENT:	£ 545
CHILD ELEMENT (FIRST CHILD)	+ £2,750
CHILD ELEMENT (SECOND CHILD)	+ £2,750
CHILD TAX CREDIT TOTAL	£6,045

WORKING TAX CREDIT

BASIC ELEMENT	£1,940
LONE PARENT ELEMENT	+ £1,990
30 HOUR ELEMENT	+ £800
CHILDCARE ELEMENT (70% OF £4,500)	+ £3,150
WORKING TAX CREDIT TOTAL	£7,880

Add Child Tax Credit and Working Tax Credit together to get the maximum award:

MAX. CHILD TAX CREDIT	£6,045
MAX. WORKING TAX CREDIT	+ £7,880
MAXIMUM TAX CREDIT AWARD	£13,925

Because Sophie's salary of £12,500 per year is above the income threshold of £6,420, her maximum tax credit award will be reduced.

Subtract the threshold from her salary:

SALARY	£12,500
THRESHOLD	- £6,420
DIFFERENCE	£6,080

Apply the taper of 41% to the difference to get the reduction in award:

DIFFERENCE	£6,080.00
TAPER	X 41%
REDUCTION	£2,492.80

Subtract the reduction in award from the maximum award to get the actual tax credit award:

MAXIMUM TAX CREDIT AWARD	£13,925.00
REDUCTION	- £2,492.80
ACTUAL TAX CREDIT AWARD	£11,432.20
	(£219.85 PER WEEK)

Housing benefit

You may be entitled to help with your rent through housing benefit. If you have capital over £16,000 you are not entitled to housing benefit. Your benefit will be reduced if you have capital in excess of £6,000. If you rent from a private landlord, your Housing Benefit will be based on the local housing allowance. This is a flat-rate allowance, based on the size of your household and the area in which you live. It is not based on the rent you actually pay. If your rent is higher than the local housing allowance, you will have to make up the difference yourself. Check with your local authority housing department or their website to find out the local housing allowance rates for your area.

Housing Benefit rates for people of working age:

- Personal allowance under 18 years of age £57.35
- Personal allowance 18 years and over £72.40
- Family premium £17.45
- Family premium (lone parent rate for continuous claims that started prior to 05 April 1998) £22.20
- Dependent child £66.33

- ▶ Contact your local authority housing department for an application form.

Council tax reduction scheme

If you are on a low income, you may be entitled to council tax reduction. If you have capital of £16,000 or over you will not get any council tax reduction and it will be reduced if you have capital in excess of £6,000. The reduction is applied to your council tax bill. You are responsible for reporting any changes of circumstance that might affect your council tax reduction and this should be done as quickly as possible. This is administered by your local authority.

Council tax reduction appeals

If you are not happy with a council tax reduction decision you can ask your local authority to carry out an internal review. Your local authority will be able to give you information on their appeal procedure. If you still believe that the internal review decision is wrong or if the local authority has failed to respond to your request within two

months, you may then apply to the council tax reduction review panel:

- ▶ counciltaxreductionreview.scotland.gov.uk/documents/CTRRP_Application_Form.pdf



Council tax discounts

If you are the only adult in the household who is liable to pay council tax, your council tax bill (including water and sewerage) will be reduced by 25%. When working out the number of people in your household, certain people are excluded: students, apprentices, carers, severely mentally impaired people, and under 18's.

- ▶ Contact your local authority housing department for a form.

There are a number of disability premiums.

- Contact the Lone Parent Helpline for details:
 - ▶ **0808 801 0323**

Income and Housing Benefit

Some things do not count as income:

- Child benefit
- The first £25 of net earnings
- Child maintenance
- Relevant childcare costs (up to a maximum of £175 per week for one child, or £300 per week for two or more children).

However, tax credits (less the working tax disregard of £17.10) count in full.



Case study (continued) - housing benefit and council tax reduction

Sophie lives in a two bedroom private let and pays £599 per month (£138.23 per week) in rent. Her Council Tax is £16.86 per week and her water and sewerage is £7.77 per week. This is how to calculate Sophie's Housing Benefit and Council Tax Reduction. There is no help with the cost of water and sewerage so Sophie will have to pay this herself.

Housing Benefit

This is how to calculate Sophie's Housing Benefit:

First calculate Sophie's applicable amount using the Housing Benefit rates table, above:

PERSONAL ALLOWANCE	£72.40
FAMILY PREMIUM	+ £17.45
DEPENDENT CHILD (1)	+ £66.33
DEPENDENT CHILD (2)	+ £66.33
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TOTAL APPLICABLE AMOUNT	£222.51

Then calculate Sophie's weekly income:

Remember: Some things do not count towards income (see above).

EARNINGS (NET)	£217.12
TAX CREDITS	+ £219.85
EARNINGS DISREGARD	- £ 25.00
WORKING TAX CREDIT DISREGARD	- £ 17.10
RELEVANT CHILDCARE COSTS	- £ 86.53
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TOTAL INCOME	£308.34

Subtract applicable amount from income:

INCOME	£308.34
APPLICABLE AMOUNT	- £222.51
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INCOME EXCEEDING	
APPLICABLE AMOUNT	£85.83

Now, calculate Sophie's Housing Benefit

Housing benefit is reduced by 65p for every pound (65%) that income exceeds the applicable amount .

INCOME EXCEEDING	
APPLICABLE AMOUNT	£85.83
REDUCTION	X 65%
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HOUSING BENEFIT REDUCTION	£55.79

You can now find out how much Housing Benefit is paid:

RENT (PER WEEK)	£132.23
HOUSING BENEFIT REDUCTION	- £55.70
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HOUSING BENEFIT PAID	£76.44

Sophie will receive £76.44 per week Housing Benefit and will have to pay £55.793 per week of rent herself.

If the weekly amount of Housing Benefit is less than 50 pence, then it is not awarded.



Council tax reduction

This is how to calculate Sophie's council tax reduction:

Council tax is reduced by 20p for every pound (20%) that income exceeds the applicable amount.

INCOME EXCEEDING APPLICABLE AMOUNT	£85.83
REDUCTION	X 20%
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COUNCIL TAX REDUCTION	£17.17

Subtract Council Tax reduction from Council Tax liability:

COUNCIL TAX LIABILITY	£16.86
COUNCIL TAX REDUCTION	- £17.17
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COUNCIL TAX TO PAY	-£0.31

Because Sophie's council tax is less than the reduction, she will receive a full Council Tax reduction. However, she'll still have to pay the £7.77 per week for her water and sewerage.

Child maintenance payments

If you receive child maintenance payments from your ex-partner, these payments will be ignored for all benefit and tax credit purposes.



Other financial support

Exempt groups

You are in an exempt group if you receive any of the these:

- Income support
- Income-based jobseeker's allowance
- Income-related employment and support allowance
- Child tax credit and you do not work enough hours to qualify for working tax credit
- Child tax credit and working tax credit and your income is less than £15,276
- Working tax credit and you are receiving a disability or severe disability element.

Low income scheme

You may qualify for help under the low income scheme if you have capital of less than £16,000.

You will be assessed on your income by the NHS Business Services Authority who will work out whether you are entitled or not.

Apply on form HC1 (SC) available from:
▶ www.nhsbsa.nhs.uk

Prescriptions

Prescriptions are free of charge in Scotland.

Dental treatment

NHS check-ups are free in Scotland. Dental treatment is provided free of charge by the NHS if you meet any of the following conditions:

- You are in an exempt group (see above)
- You qualify under the low income scheme (see above)
- You are under the age of 18 years or under 19 and in full-time education
- You are pregnant or have given birth within the last 12 months.

NHS sight tests and vouchers for glasses or contact lenses

NHS sight tests are free of charge in Scotland. You may be entitled to a voucher for glasses or contact lenses if you meet any of the following conditions:

- You are in an exempt group (see above)

- You qualify under the low income scheme (see above)
- You are under the age of 16 years or under 19 and in full-time education
- You have been prescribed complex lenses.

You may also be entitled to a voucher if you need new glasses because of illness or a disability.

Fares to hospital

You can get help with your fares to hospital if you meet any of the following conditions:

- You are in one of the exempt groups (see above)
- You qualify under the low income scheme (see above)
- You live in the local authority areas of Highland, Argyll and Bute, Western Isles, Orkney and Shetland and you must travel at least 30 miles by land or more than 5 miles by sea. This could include the cost of overnight accommodation.

▶ Apply on form HC1 (SC) available from www.nhsbsa.nhs.uk, Jobcentre Plus, NHS hospitals, GPs, dentists and opticians.

Free school meals

Your child is entitled to free school meals if you receive any of the these benefits:

- Income support, income-based jobseeker's allowance or income-related employment and support allowance
- Child tax credit only and you have an annual taxable income of £16,010 or less
- Working tax credit and child tax credit and you have an annual income of £6,420 or less
- Universal credit

▶ For more details, check with your local authority.

School clothing grant

Each local authority operates its own school clothing grant scheme and determines eligibility criteria.

▶ Contact your local authority education department for details.

Universal credit

Universal credit is a new benefit that will eventually replace child and working tax credits, income support, income-based jobseeker's allowance, income-related employment and support allowance and housing benefit. At the moment, new claims for universal credit are only taking place in certain areas of the country. Universal credit rolled out in Inverness for single JSA claimants in November 2013 and will be extended to couples and families in Inverness later this year. It is intended that by 2017, all existing tax credit claimants will have migrated to universal credit. Tax credit claimants will not lose any money at the point of change.

Childcare options

Unless you can find work that dovetails with your child's school hours and holidays, you will probably require childcare. Knowing that your child is happy and well cared for will make the transition into employment much easier for you. Here are some childcare options for you to consider. Childcare can be divided into two types;

- Informal care that is provided by friends or family
- Registered childcare which is supplied by providers who are registered with the Care Inspectorate and requires payment.



Informal childcare

Some families prefer to make an arrangement with a neighbour or family member to look after their children. Part-time workers can share childcare or help each other with dropping children at school, if their working hours dovetail with each other.

Another option is to use an au pair or a lodger who shares your home to undertake regular childcare as a contribution towards rent. Providing this takes place in your own home, the carer does not have to be registered with the Care Inspectorate.

The responsibility for a background check of the carer rests with you and it is always good to seek references and talk to someone who knows the person well.

This form of childcare does not qualify for financial help from the tax credit system.

Registered childcare

There are many different types of registered or formal childcare. Normally you will have to pay for this and you may get help through the tax credit system, depending how much money you earn.

You will want to choose a form of childcare that is best suited to your child's needs and it is worth visiting potential childcare settings to ensure that the provision is right for your child.

Here are some things to look for:

- Trained and experienced staff who will respond to your child's individual needs
- Children who are busy and happy
- Premises that are safe and clean with outdoor play space
- Broad range and generous supply of toys and equipment
- Clean toilets and hand basins with individual or disposable towels
- Fun activities that are well planned each day
- Exercise and quiet times scheduled into each day

When you visit a childcare provider, here are some questions you might want to ask:

- How many children do you care for?
- What is the ratio of staff to children?
- What is your discipline policy?
- Do you provide meals, snacks, nappies ?
- Where can my child rest or sleep?
- How will you keep me up-to-date with my child's progress? Do you have a record book?
- How do you deal with emergencies? What happens if my child is sick?

Formal childcare providers should be registered with the Care Inspectorate. It carries out inspections every 12 to 48 months although it can be more frequently.

The Care Inspectorate publish their reports on their website:

► www.scswis.com

Finding registered childcare

Each local authority maintains a childcare information service giving details on a full range of childcare services.

Childcare services in your area are listed at the Scottish Family Information Service website:

► www.scottishfamilies.gov.uk



Childminders

Childminders are self-employed professional childcare workers who usually look after children in the childminder's home in return for a fee. Your child can benefit from socialising with other children and learning through play within a safe family home environment.

Think about the following points when choosing a childminder:

- Make sure that your childminder is registered with the Care Inspectorate and has a valid Public Liability Insurance. Ask to see their registration certificate and details of their insurance policy.
- Sign a contract with your childminder. This will ensure you are both aware of the terms of the service provided.
- Request a copy of your childminder's policies and procedures. You will know how your childminder deals with risk assessments, child protection, infection, discipline etc.
- A good childminder will offer a settling-in period. Take your child along before you sign the contract so you can see if your child is comfortable there.

Choose a service that suits your child rather than one based on the best price. The average cost of a childminder in Scotland is £93.22 per week (25 hours).

Advice and a draft childminding contract are available from Scottish Childminding Association:

- ▶ www.childminding.org
- ▶ 01786 449063

Private nurseries

Private nurseries look after children from birth to five years of age and may also offer after school care. They have to be registered with the Care Inspectorate. Some offer lower rates for a second child or for single parents. Some may offer free part-time places for three and four year olds. When looking for a nursery visit a shortlist of nurseries in your area so you can see what is on offer and make a choice based on what you feel is right for your child. Speak with the nursery manager and find out about the terms and conditions of the contract and what is included in the fees (food, nappies, late collection fees etc). The average cost of a private nursery is £101.19 per week (25 hours).

- ▶ See www.scottishfamilies.gov.uk

School nurseries

All parents of three and four year olds are entitled to five free half day (2 ½ hours) places in a nursery per week. School nurseries are only open in term time. Some may offer extra wrap-around care for longer days and holidays. From September 2014, the annual hours of free childcare will rise from 475 hours to 600 hours.

Workplace nurseries

Workplace nurseries are provided by some large employers, often with rates linked to your salary.

Out of school care

Out of school care also known as after school care, provides a safe, caring environment with a range of activities for school age children before and after school and during holidays. After school care enables parents to take up employment, education and training opportunities. Out of school care can start from 7.30 am before the start of the school day and can provide breakfast. Services also operate from the end of the school day until 6 pm. Some have clubs during the school holidays from 8 am to 6 pm and others will operate during in-service training days, polling days and half-term

holidays. The average cost of an out of school care club is £50.46 per week (15 hours).

For more information about out of school care contact the Scottish Out of School Care Network:

- ▶ www.soscn.org
- ▶ 0142 564 1284

Nannies

A live-in nanny lives with you and your family in your home. You provide them with food and a private bedroom in addition to their salary. A daily nanny comes to your home each day to look after your child but they do not live with you. A nanny share is an arrangement where you share a nanny with another family. They will usually have a professional qualification (NNEB, SVQ etc) and are likely to be the most expensive childcare option unless shared with another family. Nannies who belong to a registered nanny agency qualify for the childcare element of working tax credit. When interviewing and selecting a nanny, make sure you observe how your children interact with the nanny and make sure you check references and employment history.



Help with paying for childcare

Help for paying for registered childcare is available through the childcare element of working tax credit when you work at least 16 hours per week. If you claim working tax credit, you can include 70% of your eligible weekly childcare costs in the calculation, up to a maximum of £122.50 (70% of £175) for one child and £210 (70% of £300) for two or more children. You have to pay the remaining 30% yourself plus any childcare costs that exceed the maximum of £175 and £300.

If your income exceeds £6,420 per year, your tax credit awards starts reducing so you may not receive the full 70% of childcare costs.

You can apply for childcare costs up to the September after their 15th birthday, or 16th if the child is disabled and gets Disability Living Allowance, is registered blind or is partially sighted.

Childcare vouchers

Some employers give their staff childcare vouchers worth £55 a week, whatever their income. Employees do not have to pay income tax or National Insurance Contributions on the vouchers and employers are able to get National Insurance Contributions relief. You may, however, be financially worse off using vouchers rather than claiming through tax credits. You cannot use both vouchers and tax credits for the same amount of childcare.

If you are considering using childcare vouchers, contact HM Revenue & Customs to check out your own financial position. Employers are under no obligation to provide the vouchers.

Useful contacts

Lone Parent Helpline: **0808 801 0323**

Tax Credit Helpline: **0345 300 3900**

Care Inspectorate: www.scswis.com
0845 600 9527

Scottish Childminding Association:
www.childminding.org
01786 445377

Scottish Out of School Care Network:
www.soscn.org
0141 564 1284

Registered childcare website:
www.scottishfamilies.gov.uk

Supporting and inspiring single parent families across Scotland

For further information about OPFS or our services, please contact:

One Parent Families Scotland,
13 Gayfield Square, Edinburgh EH1 3NX
Tel: **0131 556 3899**
Email: info@opfs.org.uk
Helpline: **0808 801 0323**
Helpline Email: helpline@opfs.org.uk

Visit our website at www.opfs.org.uk

More help from OPFS

You may also be interested in these related information packs available from OPFS:

- Separation and Divorce
- Money for Single Parents

Call the helpline on **0808 801 0323**, or download them from www.opfs.org.uk.



**One Parent
Families Scotland**

