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Understanding Tax Credits:

Tax credits are payments from the government to help with everyday costs. If you're responsible for at least one child or young person who normally lives with you, you may be eligible for Child Tax Credit. If you work, but earn low wages, you may be eligible for Working Tax Credit.

What is a tax credit?

A tax credit isn't a tax – it's money that you receive regularly. And it isn't deducted from your tax bill either – in fact you can get it even if you don't pay tax.

Basic Eligibility for Tax Credits:

There are some general rules about who can claim tax credits.

You must:

- ❖ live in the UK (usually)
- ❖ be 16 or over and have children, or over 25 if you don't have any children

If you live outside the UK, you may still be able to claim.

Child Tax Credit:

Child Tax Credit is a means-tested allowance for parents and carers of children or young people who are still in full-time education. Child Tax Credit is paid regardless of whether the parents work because eligibility is not linked to work, it is paid directly to the carer.

The amount you get depends on various things like:

- ❖ how many children or qualifying young people live with you
- ❖ if any child or young person is disabled
- ❖ your income

The payment is made up of two elements:

- ❖ a family element paid to any family with at least one child and worth up to £545 (2006-2007 tax year)
- ❖ a child element paid for each child in the family and worth up to £1,765 (2006-2007 tax year)

You may get more if you care for a child under one or a disabled child.

Working Tax Credit:

Working Tax Credit is a payment for people who are working and on a low income. Thus you can apply for Working Tax Credit to top up your earnings. You can claim this whether you're employed or self-employed.

How much you get depends on whether you've got children, your circumstances and how much you earn.

If you have children:

- ❖ You can get Working Tax Credit if you are responsible for a child or young person and if you are 16 or over and you work 16 hours or more a week. Your Working Tax Credit will be worked out with your Child Tax Credit.

If you don't have children:

You can claim Working Tax Credit if:

- ❖ you're 25 or over and you work 30 hours or more a week
- ❖ you're 16 or over and you work 16 hours or more a week and you have disability and you get a qualifying benefit
- ❖ you are 50 or over, you work 16 hours or more a week and if you are returning to work after receiving certain benefits for at least 6 months

The rates and thresholds of the tax credits are shown below.

Working Tax Credit - £ per year (unless stated)

Rates and Thresholds	2005-06	2006-07
Basic element	£1,620	£1,665
Couple and lone parent element	£1,595	£1,640
30 hour element	£660	£680
Disabled worker element	£2,165	£2,225
Severe disability element	£920	£945
50+ Return to work payment (16-29 hours)	£1,110	£1,140
50+ Return to work payment (30+ hours)	£1,660	£1,705

We appreciate and value your feedback very much. Let us know how we can help make this communication vehicle and the learning resource more valuable to you.

You can always e-mail us at resources@saboosolutions.com or call at 1-646-435-7887(USA) or 020 7993 8870(UK) or 91 33 2236 5173 (India).

Sincerely,

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