

Tax Credits and migrant families

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Key Findings

- Over half a million migrant families were receiving in-work tax credits in early 2013.
- Nearly 200,000 further migrant families were claiming tax credits when out of work
- Nearly half of all migrant families claiming tax credits are lower income working families with children with an average award of around £9,000 a year.
- Over a quarter of migrant families claiming tax credits are out of work with children with an average award of around £6,500

Background

Personal tax credits administered by HM Revenue and Customs, provide nearly £30 billion a year primarily for in-work benefits, but some payments to those out of work too. Tax credits claims tend to involve payment of public money on a long-term basis. The tax credits system is predicated on the assumption that claimants will continue to make a claim year after year to support people in lower-income employment, and in contrast to the short-term payment of Jobseeker's Allowance to those who are out of work, provides on-going and indefinite support for employment at that income level. If they have children they are further supported with Child Tax Credit paid alongside.

Eligibility to Working Tax Credit extends to people working at least 16 hours a week who are responsible for a child or young person, or receiving a qualifying benefit and having a disability that puts them at a disadvantage of getting a job, or are aged 60 or over. If none of these apply, then anyone will still be eligible for Working Tax Credit if they are aged 25 and over and work at least 30 hours a week.

People with children may claim Child Tax Credit even if they are not in work.

Personal tax credits are planned to be replaced by Universal Credit, but the relevant eligibility conditions will be largely unchanged, and the timescale for the introduction of the new system is still uncertain.

Methodology

There is no consistent or standard identifier of a migrant to the UK used across government. Conventionally, academic studies of migration treat anyone born abroad as migrant, rather than nationality. A National Insurance Number (NINO) is required to work or claim benefits in the UK. When a NINO is first applied for, the nationality at the time of the applicant is recorded by HMRC on the National Insurance Registration System (NIRS). This is likely to be a reasonable proxy for country of birth, as typically a NINO will be applied for by adults soon after arrival in the UK, and in almost every case before naturalization is possible. Nonetheless it will still understate somewhat the numbers of claimants who were born abroad, because it will not include non-UK born children who were naturalized (i.e. acquired UK nationality) before the age of 16.

Nationality is not recorded within HMRC's systems for actually collecting taxes (e.g. PAYE) or paying benefits, but any extraction of data from these systems by HMRC for analytical purposes can be matched up by NINO with the nationality recorded in NIRS.

The data used in this paper was obtained by Freedom of Information Act requests and correspondence with HMRC. It was extracted by HMRC from the tax credits system in March 2013, and it derives from a 10% sample of individuals in the system amounting to some 765,000 cases. HMRC are confident that at this level the results will be representative of the claimant population as a whole.

Data and results

The tables below show the results of the HMRC analysis, providing considerable detail about the nature of claims made by migrant families.

- Table 1 shows the number of claimants by family type, migrant family status and claim type.
- Table 2 shows the same information in percentage terms
- Table 3 shows the distribution of claim type by migrant family status
- Table 4 shows the amount of award by claim type for migrant families

A 'migrant family' has been defined as one in which the sole adult in a single claim or either adult in a joint claim is identified by a NINO issued to them when they were not a UK national. For this reason the number of migrant adults receiving tax credits will be greater than the number of migrant families as some of these will contain two migrant adults. Table 1 distinguishes between claimant families that are 'singles' and 'couples'. The actual number of migrant adults will fall within the range of 716,000 (if no migrant couple was comprised of two migrants) and 1,128,000 (if every migrant couple was composed of two migrants).

In-work families are split into two groups, those claiming Child Tax Credit only and those claiming both Child Tax Credit and Working Tax Credit. All tax credits are means-tested and the value of the award diminishes as income of the claimant rises. The Working Tax Credit element of the claim is withdrawn or 'tapered-off' before the Child Tax Credit element, and so entitlement to an award including Working Tax Credit indicates lower family income than an award of Child Tax Credit only.

From Table 2 it is notable that of lower income tax credits families with children - i.e. whose awards include both Working Tax Credit and Child Tax Credit - over a quarter (25.5%) are migrant families. In contrast, migrant families they form barely half that proportion (13.76%) of the higher income families with children who are entitled to Child Tax Credit only.

From Table 3 this group of lower income families with children forms almost half (46.3%) of all migrant families claiming tax credits. Lower income families with children form a smaller proportion of non migrant families claiming tax credits (38.1%).

From Table 3 a slightly lower proportion of migrant families are out of work families with children (26.5%) than non migrant families (31.4%). However, from Table 2 migrant families comprise nearly a fifth of tax credits families who are out of work couples with children (19.49%) but only half that proportion of out of work single parents (10.59%).

Table 4 contains figures for the amount of awards to migrant families broken down by type of award. HMRC have modelled the awards to annual amounts on the assumption that there are no changes of circumstances affecting the amount of award over the year. This is for the technical reason that tax credits are paid on a provisional basis and only finalised after the end of the year in which they are paid.

Table 4 shows that the bulk of tax credits paid to migrant families is to lower income working families with children, amounting to just over £3 billion annually, with an average annualized award of over £9,000 per family. As above, these families form nearly half of all migrant families claiming tax credits.

The average award to higher income working migrant families with children is much lower at just under £3,500.

The average award to out of work migrant families is around £6,500. These families form around a quarter of all migrant families claiming tax credits.

Table 1. Tax credits: number of tax credits families March 2013 – excluding nil awards

	Singles					Couples					All families				
	Non Migrant	<i>Migrant EU</i>	<i>Migrant Other</i>	Total migrant	Total	Non Migrant	<i>Migrant EU</i>	<i>Migrant Other</i>	Total migrant	Total	Non Migrant	<i>Migrant EU</i>	<i>Migrant Other</i>	Total migrant	Total
Out of work with children - CTC only	919.4	30.7	78.2	108.9	1,028.3	333.4	19.4	61.3	80.7	414.1	1,252.8	50.1	139.4	189.5	1,442.4
In work with children - WTC and CTC	899.4	62.9	55.3	118.2	1,017.6	622.3	80.5	133.0	213.5	835.8	1,521.7	143.4	188.3	331.7	1,853.4
In work with children - CTC only	124.6	4.5	9.3	13.8	138.3	613.9	47.2	50.8	98.0	712.0	738.5	51.7	60.1	111.8	850.4
In work without children - WTC only	340.0	48.3	14.8	63.1	403.0	136.2	8.9	11.0	19.9	156.0	476.1	57.1	25.7	82.8	559.0
Total	2,283.4	146.4	157.6	304.0	2,587.2	1,705.8	156.0	256.1	412.1	2,117.9	3,989.1	302.3	413.5	715.8	4,705.2

Table 2. Tax credits: percentage of each type of claim by migrant status of family – excluding nil awards

	Singles				Couples				All families			
	Non Migrant	<i>Migrant EU</i>	<i>Migrant Other</i>	Total migrant	Non Migrant	<i>Migrant EU</i>	<i>Migrant Other</i>	Total migrant	Non Migrant	<i>Migrant EU</i>	<i>Migrant Other</i>	Total migrant
Out of work with children - CTC only	89.41%	2.99%	7.60%	10.59%	80.51%	4.68%	14.80%	19.49%	86.86%	3.47%	9.66%	13.14%
In work with children - WTC and CTC	88.38%	6.18%	5.43%	11.62%	74.46%	9.63%	15.91%	25.54%	82.10%	7.74%	10.16%	17.90%
In work with children - CTC only	90.09%	3.25%	6.72%	9.98%	86.22%	6.63%	7.13%	13.76%	86.84%	6.08%	7.07%	13.15%
In work without children - WTC only	84.37%	11.99%	3.67%	15.66%	87.31%	5.71%	7.05%	12.76%	85.17%	10.21%	4.60%	14.81%

Table 3. Tax credits: breakdown of group by type of claim

	Non migrant family	Migrant family
Out-of work	31.4%	26.5%
CTC only	18.5%	15.6%
WTC only	11.9%	11.6%
WTC/CTC	38.1%	46.3%

Table 4. Tax credits: HMRC-modelled amount of awards to migrant families by type of claim, and calculated average amount of claim.

	Amount £ millions	Number of claims	Average claim
Out-of work	1,234	189.5	£6,511
CTC only	388	111.8	£3,470
WTC only	179	82.8	£2,161
WTC/CTC	3,104	331.7	£9,357.
Total	4,905	715.8	£6,852

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