**How much would it cost to make a substantial reduction in child poverty by increasing the Child Tax Credit?**

Reducing the number of children in poverty in the UK by **1 million** would be possible with an increase in the Child Tax Credit (CTC) rate per child to £5,200 per year (from £2,780, or 87%). This would cost **£13.4bn** per year.

In **Scotland** only, reducing the number of children in poverty by **100,000** would require an increase of CTC per child to £6,810 (or 145%) and would cost **£1.8bn** per year.

(The increase in Scotland is higher mainly because the target number of children taken out of poverty in Scotland is a larger proportion of Scottish children than is the UK target number of UK children. The larger the CTC increase the more non-poor children who benefit.)

**Notes:** These calculations were carried out using the UK component of EUROMOD, the tax-benefit microsimulation model of the European Union, maintained and managed by the University of Essex.[[1]](#footnote-1) They are based on micro-data from the Family Resources Survey 2015/16 updated to 2018 and the starting point is the 2018/19 tax-benefit system.

The poverty threshold is set at 60% of the 2018 median equivalised household net income in the UK. This is also used for the calculation of child poverty in Scotland. Budgetary costs are estimated net of reductions in entitlements to Housing Benefit and Council Tax Support.

Caution should be exercised in interpreting these results, which are subject to sampling error and assumptions about income growth and benefit/tax credit non-take-up. They assume that all claims were made before April 2017 and hence that all children benefit from the increase. Caution should be applied especially to the Scottish results due to the relatively small sample in the micro-data. As a rule of thumb these estimates are correct +/- 25% (i.e. the reduction in child poverty in Scotland would be between 75,000 and 125,000 children).

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1. For more information see https://www.euromod.ac.uk/ [↑](#footnote-ref-1)