



HM Revenue  
& Customs

# Tax credits penalties

What happens at the end of a check

WTCT

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We have a range of services for people with disabilities, including guidance in Braille, audio and large print. For details please ask at your local HMRC office or Enquiry centre.

This leaflet tells you about the penalties you may get if your claim for tax credits is not correct. It also explains how to appeal against those penalties.

## Introduction

When you make a claim for Child Tax Credit or Working Tax Credit you are responsible for making sure that the information on your claim form is correct.

This leaflet is for anyone who may get charged a penalty after we have carried out a check on their tax credits claim. It does not tell you everything about penalties, but it does tell you what is likely to happen and what you can do if we charge you a penalty.

Information about how and why we carry out tax credits checks is in Factsheets WTC/FS1 and WTC/FS2. We give these to claimants when we start a check. They are also available at [www.hmrc.gov.uk/leaflets/credit.htm](http://www.hmrc.gov.uk/leaflets/credit.htm)

## Why we charge penalties

We charge penalties to

- encourage people to take care and make sure their claims are correct
- stop claimants from supplying incorrect information, and
- penalise those who try to defraud the system.

## Your penalty

You may be liable to a penalty if

- we find that you have not told us about a change in your circumstances that results in a tax credits overpayment, or
- you have supplied incorrect information about your tax credits claim.

## Not telling us about a change in circumstances

If you do not tell us about the following changes in your circumstances we can charge you a maximum penalty of up to £300.

You must tell us if

- you marry or become a civil partner or part of a couple who live together as husband and wife or as civil partners
- you stop being part of a married couple or civil partnership or a couple living together as husband and wife or as civil partners
- your average weekly childcare costs go down by £10 a week or more for four weeks in a row
- you stop paying childcare costs
- you or your partner leave the country for more than eight weeks. This is extended to 12 weeks if you go, or stay abroad because you, or a member of your family, is ill or has died
- your usual working hours change so that you work
  - less than 16 hours a week, or
  - less than 30 hours a week,For couples with children it is your joint working hours that count towards the 30 hours
- one of your children leaves the family and moves to live with someone else. This includes a child who has been
  - taken into care or fostered to another family
  - found guilty by a court and sentenced to custody or detention for a period of four months or more
- a child or young person you are responsible for stops qualifying for support, for example they
  - leave non-advanced full-time education or approved training before they reach 20
  - start to have their training provided under a contract of employment
  - stop being registered with a careers service, or the Connexions Service or equivalent
  - start to claim Income Support, Incapacity Benefit, income-based Jobseeker's Allowance, Child Tax Credit or Working Tax Credit in their own right
- a child or qualifying young person dies
- you have been on strike for more than 10 days.

Usually it will be obvious when there has been a change, and you must tell us **within one month** of the date the change happened.

For example, you change your job on 8 May 2007 and instead of working 35 hours a week you now work 25 hours a week. You must tell us about this by 8 June 2007.

Sometimes it might not be clear exactly when there has been a change, so you must tell us **within one month** of the date you realise that the change has happened.

For example, the exact number of hours you work each week varies as you often work some overtime as well as your standard hours of 26 hours a week. Most weeks you work more than four hours overtime a week so your usual hours are more than 30 hours a week. However, the amount of overtime available varies and you do not always work all the overtime available. On 7 September 2007 when looking back you realise that your usual hours are now less than 30 hours a week and have been since 20 August 2007. You must tell us about this by 6 October 2007.

Week starting Monday	Overtime offered	Overtime worked	Actual hours worked	Usual hours
18/6	14	14	40	30+
25/6	10	10	36	30+
2/7	6	4	30	30+
9/7	1	1	27	30+
16/7	10	10	36	30+
23/7	3	3	29	30+
30/7	14	14	40	30+
6/8	0	0	26	30+
13/8	4	4	30	30+
20/8	2	2	28	16-30
27/8	0	0	20.8*	16-30
3/9	1	1	27	16-30

\* Didn't work the Bank Holiday

The date the change happened and the date you first became aware of the change are matters of fact. If you do not agree with our decision to charge a penalty please discuss it with us and we will consider what you say. If we still think that you did not tell us in time you can ask the Appeals Tribunal to decide (see 'Your rights' on page 7).

## Reasonable excuse

We will not charge you a penalty if you have a reasonable excuse for not telling us about a change in your circumstances.

### *What is a reasonable excuse?*

A reasonable excuse might be that

- you had a serious illness that prevented you from sending the information
- we received your notification late because of an unexpected postal dispute

A reasonable excuse is not that

- you have been too busy to tell us about a change in circumstances
- you did not know you had to tell us about a change in circumstances.

Please tell us if you think you have a reasonable excuse and we will consider what you say.

Whether your excuse is reasonable is a matter of law. If we do not agree that your excuse is reasonable you can ask the Appeals Tribunal to decide (see page 8).

## Supplying incorrect information

We can charge you a penalty of up to £3000 if you have negligently not taken care to make sure any information you sent us was correct.

This includes the information you give

- in your claim
- on any notification of a change in circumstances, and
- in response to a particular request for information during our checks.

We will explain why we believe that you have been negligent. If you do not accept our explanation you can ask the Appeals Tribunal to decide (see 'Your rights' on page 7).

### ***What is negligence?***

Negligence is not taking reasonable care.

A careful person would

- make a complete and correct claim to the best of their knowledge and belief
- read the notes supplied with the claim that relate to their own circumstances
- ask for help if they are unable to cope with the claim or declaration themselves.

#### **Plain carelessness can be negligence.**

We will not consider you negligent if you have had wrong advice given to you by for example an HMRC Enquiry Centre, Job Centre Plus or an adviser such as the Citizens Advice Bureau.

### **Couples**

If you have made a joint claim with your partner, you are both responsible for the information you provide in your claim.

We will charge you a penalty as a couple where

- either of you could have told us about any change in circumstances, or
- you were both responsible for supplying incorrect information.

If the incorrect information relates to one partner – and the other person could not have reasonably known that it was not correct – we will only charge the penalty on that partner.

The maximum penalty for a joint claim is no more than the maximum penalty for an individual claim.

## Paying your penalty

We will contact you if we think that you have become liable to a penalty. We can do this

- by phone
- in a meeting, or
- in writing.

We will explain why we are charging you a penalty and tell you the maximum amount chargeable. We will always consider a lesser penalty and we will discuss this with you.

### The amount of your penalty

When working out the amount of the penalty reduction, we will take into account

- the amount of tax credits over-claimed
- whether you have been liable for tax credits penalties before, and
- the extent to which you co-operate with us in providing information to establish your proper entitlement to tax credits and to bring our check to a close.

If you do not understand our explanation of the penalty, you can ask us to put it in writing so that you can seek independent advice.

### If you agree with the penalty

We will discuss the arrangements for payment covering

- any overpaid tax credits
- any interest due, and
- the penalty.

Depending on your circumstances, you can pay either in a lump sum or in instalments.

### Arranging payment

Once we have agreed the arrangements we will ask you to sign a letter that sets out

- the total amount you have to pay, and
- the final date for payment, or the number of instalments and when they are due.



We will send you a final letter accepting the arrangement. This exchange of letters is a legally binding contract. If you refuse to pay, we will take legal action to recover any money you owe.

### If you disagree with the penalty

You should let us know. We will listen to what you have to say. If we cannot agree, we will issue a penalty notice so that you can appeal or appoint a representative to appeal for you.

### Interest

We may charge you interest if we have overpaid tax credits because of negligence on your part. We also charge interest on any penalties that you pay late.

## Co-operation

The extent to which you co-operate and provide us with information is entirely up to you. You should remember that the level of your co-operation could affect the amount of any penalty.

If you are not sure whether to give us the information, or if you are reluctant to co-operate, we suggest you get independent advice before deciding what to do. We may decide to reduce or stop your current tax credits payments based on the information we hold.

### Help

You can get help from your nearest Citizens Advice Bureau. You will find them in *The Phone Book*.

## Your rights

You have the right to appeal if we

- ask you to pay penalties or interest, or
- amend your award.

You can find out more information about how to appeal by reading our leaflet WTC/AP *'How to appeal against a*

*tax credits decision or award*, which you can get from any HM Revenue & Customs Enquiry Centre or online at [www.hmrc.gov.uk/leaflets/wtc\\_ap.pdf](http://www.hmrc.gov.uk/leaflets/wtc_ap.pdf) We will not treat your right of appeal as non co-operation.

## Appeals Tribunal

If we do not agree with your appeal we will send your claim to an independent Unified Appeals Tribunal. They will listen to both of us and decide whether you will have to pay the penalty and how much you will have to pay.

If you disagree with the Appeals Tribunal's decision, you can appeal to the Social Security Commissioners. You will be sent information on how to do this with the Appeal Tribunal's decision notice.

## Customer Service

### HM Revenue & Customs commitment

We aim to provide a high quality service with guidance that is simple, clear and accurate.

We will

- be professional and helpful
- act with integrity and fairness, and
- treat your affairs in strict confidence within the law.

We aim to handle your affairs promptly and accurately so that you receive or pay only the right amount due.

## Putting things right

If you are not satisfied with our service, please let the person dealing with your affairs know what is wrong. We will work as quickly as possible to put things right and settle your complaint.

If you are still unhappy, ask for your complaint to be referred to the Complaints Manager.

## Customers with particular needs

We offer a range of facilities for customers with particular needs, including

- wheelchair access to nearly all HMRC Enquiry Centres
- help with filling in forms
- for people with hearing difficulties
  - BT Typetalk
  - Induction loops.

We can also arrange additional support, such as

- home visits, if you have limited mobility or caring responsibilities and cannot get to one of our Enquiry Centres
- services of an interpreter
- sign language interpretation
- leaflets in large print, Braille and audio.

For complete details please go online at [www.hmrc.gov.uk/enq](http://www.hmrc.gov.uk/enq) or contact us. You will find us in *The Phone Book* under HM Revenue & Customs.

## Further information

You may find useful the Frequently Asked Questions on our website at [www.hmrc.gov.uk/taxcredits/exams-enqs.htm](http://www.hmrc.gov.uk/taxcredits/exams-enqs.htm)

The New Tax Credits Claimant Compliance Manual contains more details about our work in this area. You can find it online at [www.hmrc.gov.uk/manuals/ccmmanual/index.htm](http://www.hmrc.gov.uk/manuals/ccmmanual/index.htm)

These notes are for guidance only and reflect the position at the time of writing. They do not affect any right of appeal.

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