

Tax credit penalties

What happens at the end of a check

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

This leaflet is for anyone who may be 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 the factsheet. We normally give these to customers when we start a check.

Why do we charge penalties?

We charge penalties to:

- encourage people to be careful and make sure their claims are correct in future
- stop customers from giving us incorrect information in the future and
- penalise people who try to defraud the system.

Your penalty

We can charge you a penalty of up to £3,000 if you deliberately gave the wrong information.

This includes the information you give:

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

We calculate penalties as a percentage of the tax credits when you overclaimed as a result of the incorrect award if you made a deliberate error.

We will explain why we believe that you have deliberately given us incorrect information. If you do not accept our explanation you can ask an independent tribunal to decide.

We will not charge you a penalty if you have taken reasonable care to give us the correct information, even if you make a mistake which results in you claiming too much tax credits.

If we believe you may have committed a criminal offence, we may carry out an investigation and prosecute you. If this happens, we will not charge you a penalty.

What is deliberate error?

Deliberate error is where a claimant has deliberately given the wrong information to claim for an element of tax credits they are not entitled to or to increase an element by making a false statement about their circumstances. This can include:

- claiming for a fictitious child or children, or the wrong number of children
- claiming for childcare costs when no childcare is paid for
- claiming for childcare costs in excess of what is actually paid where there is clearly no basis for the amount claimed
- claiming for a child as being in full-time education when they are already working

Help with tax credits

For more information:

- go to www.hmrc.gov.uk/taxcredits
- phone the helpline on **0345 300 3900**
- textphone the helpline (for people with hearing or speech difficulties) on **0345 300 3909**
- write to us at
Tax Credit Office
PRESTON
PR1 4AT.

When you get in touch with us please tell us:

- your full name
- your National Insurance number
- a daytime phone number.

Your rights and obligations

Your Charter explains what you can expect from us and what we expect from you. For more information go to www.hmrc.gov.uk/charter and have a look at *Your Charter*.

Complaints

For more information about complaints procedures go to www.hmrc.gov.uk and under *Quick links* select *Complaints and appeals*.

We have a range of services for people with disabilities, including guidance in Braille, audio and large print. Most of our forms are also available in large print. Please contact us on any of our phone helplines if you need these services.

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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- giving us incorrect working hours information such as
 - claiming to be working when not actually working
 - claiming to be working over 16 or 30 hours when not doing so
 - for couples with children, claiming to be working a combined total of 24 hours when the claimants do not work those hours, have not done so in the recent past and have no intention of doing so
- claiming to be in prison, an inpatient in hospital or incapacitated when they are not
- claiming to be entitled to carers allowance when they are not
- claiming for the disability element with no basis to support such a claim
- understatement of income where there was no basis for the amount of income declared
- failing to tell us about a source of income
- claiming as a single person when a partner is present and a joint claim should have been submitted
- any other wrong declarations where the information concerns the claimant's own circumstances which they can be reasonably expected to know.

Couples

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

We may 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 giving us 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.

The amount of your penalty

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

- the amount of tax credits overclaimed
- whether it is your first, second or third or subsequent offence
- the behaviour that led to the overclaim.

The level of the penalty depends on the behaviour that led to you claiming too much tax credits. For example, how careful you were in making your claim or whether it was a deliberate attempt to get money you were not entitled to. The penalty levels for deliberate overclaims are:

- for a first offence, a penalty of 30% of the overclaimed tax credits
- for a second offence, a penalty of 50% of the overclaimed tax credits
- for a third or subsequent offence, a penalty of 100% of the overclaimed tax credits up to a maximum of £3,000.

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.

Interest

We may charge you interest if you pay a penalty late

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

- by phone
- in a meeting
- in writing.

We will explain why we are charging you a penalty and tell you both the maximum amount we can charge and the amount of the penalty we propose to charge. We are always willing to discuss with you the amount of the penalty and the reasons for it.

Paying your penalty

We will discuss the arrangements for payment covering:

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

It is quick and easy to pay by phone. You can pay by debit card, credit card or Direct Debit. You can also pay using the internet and telephone banking. For more information on how to pay go to www.hmrc.gov.uk/payinghmrc

Co-operation

The extent to which you co-operate and give us information is entirely up to you. 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.

A number of independent organisations offer help with tax credits, such as the Citizens Advice. You will find them in *The Phone Book*.

Your right to appeal

You have the right to appeal if we:

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

Our leaflet *WTC/AP What to do if you think our decision is wrong* gives more information about how to appeal. If we charge you a penalty you will get a copy of this leaflet with our decision notice.

We will not treat your right of appeal as non-cooperation.

Independent tribunals

If we can't change our decision, we will send your appeal to an independent 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.