

Tax Credit Annual Review Help Sheets

These notes are to help you understand the Annual Review process and help your clients take the right action at the right time.

General Notes

From April following the year in which a customer receives tax credits, they will receive an annual review pack. For example, if a customer receives tax credits during the 2009-10 tax year, an annual review pack will be sent around April/May 2010. This pack will include an annual declaration and annual review form or an annual review form only. Depending on the type of review pack received, different action needs to be taken.

There are three types of annual review pack:

- **Reply required** consisting of an annual review and annual declaration form. These are generally cases still in payment, where we need the customer to confirm their income and circumstances for the previous year.
- **Automatic renewals** consisting of an annual review form only. In these cases a reply is not normally required because, for example, the customer receives the family element only. However, they are asked to check their annual review notice and report changes if they will impact on their award, for example, change of income; and
- **Reply required ceased cases** consisting of an annual review and annual declaration form. These cases are no longer in payment because the claim has ended but we need to finalise their ceased claim.

A customer with more than one award during the year should expect a separate review pack in respect of each award period. For example, a person may have claimed as both an individual and as a member of a couple, or a person may have been a member of more than one couple, or a person may have had more than one claim during a year due to stopping and restarting work. All notices that request a response should be responded to even if the customer is not currently receiving Tax Credits. Failure to respond may lead to an overpayment.

Where one member of a couple with continuing entitlement provides full, signed declaration/review details for a notice given to both members of the couple, they are both treated as having made a declaration for the previous year and a claim for tax credits for the new tax year.

From April 2010, in cases where a couple have separated during the renewals period (i.e. that is from the 6 April and before they respond to the renewals notice) and only one of the couple responds to the notice, we will treat that response as a new joint claim for the short period in the new tax year. However, both members of a separated couple are required to make signed declarations for the year passed. If only one of the couple makes a signed declaration, the year will be finalised for the other partner on the information held by Tax Credit Office. Both partners will be jointly liable for any overpayment due to non return of their declaration however a new policy introduced in 2009 states that HMRC will not normally seek to recover more than 50% from each member of a joint household, where that couple have separated.

Customers should be encouraged to check each and every award notice they receive throughout the year using the check list sent with the award notice and to contact the

helpline if any of the information is incorrect or if there has been a change in circumstances. This should be done within 30 days of the date on the notice otherwise any overpayment from day 31 onwards may be recoverable, in accordance with CoP26.

If your client is subject to a compliance examination or enquiry which is still open over the renewal period, they will receive a letter from the compliance team inviting them to make their declaration direct with their compliance officer. The officer will be responsible for processing the declaration, in conjunction with any compliance amendments, when a decision on the award is made.

If resources allow, you may wish to consider proactively contacting vulnerable customers to check if they require assistance with their renewal.

How to make a declaration and deadlines

1. If your client has been sent an Annual Declaration form and an Annual Review notice

They can make their declaration by either:

- completing the Annual Declaration form and returning it in the envelope provided
- calling the Tax Credit Helpline on Tel 0845 300 3900

As well as the declaration notice, the HMRC website provides information about our tax credits helpline opening times – go to www.hmrc.gov.uk and select *contact us*. Due to the increased level of calls during the renewals period, your client may wish to call at the quieter times, usually before 9.30am or between 2.30pm and 4.00pm.

Deadlines

- They should return the Annual Declaration form or give the Helpline the information asked for by **31 July**. The Annual Review notice and Declaration will tell them if they have a different deadline. If they can't provide details of actual income for the last tax year before the deadline, because for example they are self employed, they should still make a declaration by **31 July** by providing us with an estimate of their income. They should show that the income is an estimate by either ticking the 'estimate' box on their declaration form or by advising the helpline that the income they are declaring is an estimate.
- If they have given details of estimated income by their deadline, a reminder will be issued to your client asking them to provide actual income details by **31 January** (Step C of their Annual Review notice will advise them if they've been given a different date) however they should be encouraged to provide this information as soon as it is available. If the actual income at 31 January matches the estimate originally provided, they do not need to do anything as HMRC will finalise their claim based on the information already provided.

If your client misses the deadline for making a declaration

We want to encourage our customers to make their declarations on time as we do not want our customers to have breaks in their payments

If no further action is taken by your client, Tax Credit Office will finalise the previous year's award on the information they hold and will stop your client's current payments. Tax Credit Office will send a statement showing whether your client has been paid too much or not enough tax credit in the previous year. The payments made from 6 April of the current year to the date payments were stopped will become overpaid.

Don't panic. There are things you or your client can do:

- Your client will be allowed a further 30 days from the date on the notice telling them that their payments have stopped (TC607), to provide the information asked for. If your client provides this information within the 30 days, their current year claim will be reinstated. If this information is not provided by this date then your client will usually have to make a new tax credit claim that will be automatically backdated up to a maximum of 93 days and only then, if they still meet the eligibility criteria for the full 93 days. If the eligibility criteria has not been met for the full 93 days, your client should include a letter with their claim form advising the correct date for backdating.
- If your client does not renew within 30 days after the deadline and before 31 January, we will consider accepting a late response if they had good cause for not renewing on time. Good cause should be requested in writing and could include the customer not being able to complete the form earlier due to exceptional circumstances or the customer not being able to make arrangements for someone to handle their affairs. Each case will be reviewed on its own merits and if good cause is accepted, the claim will be reinstated from 6 April.
- If your client wishes to stop claiming tax credits, they must **still** confirm their income and circumstances for the previous year by providing their declaration details to Tax Credit Office. They should also request that their claim be ceased for the current year however any provisional payments made after the date the claim is ceased, will be recoverable.

2. If your client received an Annual Review notice only

They need to check the information provided on the Annual Review notice. They only need to contact us if any of the following applies. They should either write to us or call the Tax Credit Helpline on Tel 0845 300 3900 if:

- they have had any changes in their circumstances – further information can be found on our website www.hmrc.gov.uk/taxcredits/changes that affect your tax credits
- their income is above or below the limits shown in the notice
- there are mistakes or missing details in the notice

If none of these apply, they don't need to do anything - their tax credits will be automatically renewed and their payments will continue.

If they don't know what their income will be and can't be sure if it will fall outside the income range, they should provide an estimate anyway. This will ensure that they have until 31 January (unless the notice specifies differently) to submit actual earnings.

Deadlines

The deadline is usually 31 July. The first page of their Annual Review notice will tell them if they have a different deadline.

Note: The deadline only applies if they need to tell the Tax Credit Office of any information that has changed, is wrong, missing or incomplete.

If your client misses the deadline or if the deadline doesn't apply

The Tax Credit Office will:

- treat the information on the Annual Review notice as correct for the whole of the period shown
- make a final decision on the award for the period covered by the Annual Review notice by checking the payments received against the information shown about the customers circumstances

- renew your client's claim for the current tax year if your client still qualifies for tax credits.

If it is later discovered that your client knew the information was not right or incomplete, they may be asked to pay back tax credits overpaid and may also be asked to pay a penalty.

3. If your client has not received an Annual Declaration or Review notice and believes they should have

- HMRC will have generally issued all Annual Declarations and Review notices by the end of May/early June. If your client has not received theirs and they believe they should have, they should contact the tax credit helpline for further guidance
- Has your client moved address? It is extremely important customers keep us updated with any change of address. If they do not, HMRC could send the annual declaration to the wrong address and this could lead to an overpayment of tax credits that they may have to pay back.

Further guidance on renewing and deadlines

[www.hmrc.gov.uk/taxcredits/keep-up-to-date/renewing your tax credit claim](http://www.hmrc.gov.uk/taxcredits/keep-up-to-date/renewing-your-tax-credit-claim)

[www.hmrc.gov.uk/taxcredits/keep-up-to-date/renewing your tax credit claim/deadlines](http://www.hmrc.gov.uk/taxcredits/keep-up-to-date/renewing-your-tax-credit-claim/deadlines)

Check the Annual Review and complete the Annual Declaration

Please refer to the guidance notes in the review pack *Renewing your Tax Credits – getting it right* and/or at www.hmrc.gov.uk

Note:

If your client returns their declaration by post, they should be advised to tick Box 3.2 only if they had a relevant change of circumstance in the year that the Annual Review notice relates. They should attach a note advising us of the change/s and when they took place. They should not tick this box if the change that occurred took place during the renewals period and should contact us separately by phone or in writing and let us know of this change.

If there were no changes in circumstance in the year to which the notice relates, Box 3.1 should be ticked

What happens next

Once the Tax Credit Office have complete information, either by the helpline or by post, the previous year will be finalised. Where the declaration is to be treated as a claim for the current tax year, the payments for the current year will be recalculated and adjusted accordingly.

Your client will receive a finalised decision notice for the previous year and an award notice for the current year, where applicable. Due to the increased volume around renewal time, the award notices may take longer than normal to be issued. If your client has not received new notices within 30 days, then you or your client should contact the tax credits helpline.

If you think a decision is wrong

- If your client believes that the finalised decision is incorrect, they can ask for the decision to be revised, as long as the final decision and the request to revise it is made on or before the 1st specified date (usually 31 July)
- After this date, the decision may only be amended:
 - following a successful appeal
 - following a compliance enquiry
 - following an amendment to your client's income tax liability
 - where we have reasonable grounds for believing that the decision was wrong and this was due to fraud or neglect on the part of your client or any person acting for them.
 - where the decision is wrong due to our error, any corrected decision would be in your client's favour and they did not contribute to the error
- If your client believes that the finalised decision is incorrect and it is after the 1st specified date, they usually have 30 days from the date the award notice was issued to appeal against the notice.
- If your client wishes to appeal, they can do this by writing to us or by completing a form (available as part of fact sheet WTC/AP) which provides comprehensive guidance on the appeals process. This is available on our website [www.hmrc.gov.uk/tax-credits/leaflets on tax credits](http://www.hmrc.gov.uk/tax-credits/leaflets-on-tax-credits).
- Their correspondence should tell us that they want to appeal; the reason for appealing, their name and National Insurance number and the date of the award notice they wish to appeal against. The appeal must reach HMRC within 30 days from the date on the award notice. An appeal outside of the 30 days will be considered if the customer can provide an acceptable reason for the delay. Acceptable reasons may include:
 - The appellant, or a partner or a dependant of the appellant, has died or suffered severe illness
 - The appellant is not resident in the United Kingdom
 - Normal postal services were disrupted
- The appeal will be considered and if we agree, the decision may be amended under section 54 of the Taxes Management Act. If we do not agree, we will send the appeal to be heard by an independent tribunal.

Please note:

A current award can be adjusted at any point during the year so it's always worth trying to contact us before making a formal appeal. This way, if we agree the award is wrong, we can make sure it's changed for your client.

An appeal must be against a notice of decision and not against the overpayment generated by a decision, for example, an appeal may be accepted where childcare costs were amended incorrectly but an appeal would not be accepted where the customer disagrees with an overpayment resulting from a change in circumstances advised after the date the change occurred. If the overpayment is at issue, the customer should dispute the overpayment by either writing to us and explaining why they consider that we should not recover the overpayment or by completing form TC846 '*Tax Credit Overpayment*' available on our website. For more detailed information about how we deal with tax credits overpayments, you should refer to COP26 - *What happens if we have paid you too much tax credit?* [www.hmrc.gov.uk/leaflets on tax credits](http://www.hmrc.gov.uk/leaflets-on-tax-credits).

