



Inland  
Revenue

# Tax credits penalties

What happens at the end of a check

CHILD TAX CREDIT &  
WORKING TAX CREDIT  
WTC7

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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.

## 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 **within three months** if

- you marry or become part of a couple who live together as husband and wife
- you stop being part of a married couple or a couple living together as husband and wife
- your childcare costs go down by £10 a week or more
- you stop paying childcare
- you or your partner leave the country for more than 8 weeks (12 weeks in certain circumstances).

## 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 realise 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 'Your rights' on page 5).

## Supplying incorrect information

We can charge you a penalty of up to £3,000 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 5).

## 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 the same as for an individual claim.

## Paying your penalty

We will contact you if we find 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 by 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.

## **Your rights**

### **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.

We may decide, based on the information we hold, to reduce or stop your current tax credits payments. If you are reluctant to co-operate, we suggest you get independent advice before deciding what to do.

### **Help**

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

## Appeals

You can appeal against any

- formal notice charging penalties or interest, and
- changes we make to 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 Inland Revenue Enquiry Centre or online at [www.inlandrevenue.gov.uk](http://www.inlandrevenue.gov.uk)

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 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 Appeals Tribunal's decision notice.



## Customer Service

### Service Standards

We set ourselves standards of service. Every year we check to see how we have done and we publish the results. If you would like details, please

- visit [www.inlandrevenue.gov.uk/servicestandards/](http://www.inlandrevenue.gov.uk/servicestandards/), or
- contact us. You will find us in The Phone Book under Inland Revenue.

### Putting things right

If we do not live up to your expectations, please let the person dealing with your case know what is wrong. We will work as quickly as possible to settle your complaint. We would not expect a complaint to get beyond this stage. But if you are still unhappy, please ask for your complaint to be referred to the Customer Relations Manager. Ask for our leaflet 'Putting things right. How to complain'. This leaflet is also available online at [www.inlandrevenue.gov.uk](http://www.inlandrevenue.gov.uk)

### Customers with particular needs

We offer a range of facilities for customers with particular needs.

Some of the things we provide are

- wheelchair access to nearly all Inland Revenue Enquiry Centres
- home visits, if you have limited mobility or caring responsibilities and cannot get to one of our Enquiry Centres
- leaflets in large print, Braille and audio
- for people with hearing difficulties
  - BT Ttypetalk
  - induction loops
  - sign language interpretation
- help with filling in forms
- services of an interpreter.

For complete details, please

- visit [www.inlandrevenue.gov.uk](http://www.inlandrevenue.gov.uk), or
- contact us. You will find us in The Phone Book under Inland Revenue.

## Open Government

### Further information

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

## Our commitment to you

We are here to ensure that everyone understands and receives what they are entitled to, and understands and pays what they owe, so that everyone contributes to the UK's needs.

We will

- listen carefully
- answer accurately and respond promptly
- keep your personal and business details confidential
- treat you fairly and with respect
- give you dedicated help if you have particular needs
- make it easy for you to understand your rights and obligations, including
  - what you are entitled to
  - what you must do, and
  - when you must do it
- provide a service in a way that is convenient for you
  - online
  - by phone through our network of Contact Centres and Helplines, or
  - face-to-face in our Enquiry Centres or with our Business Support Teams.

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

***Issued by***

Inland Revenue Better Guidance Programme  
February 2005 © Crown Copyright 2005

Printed by The Astron Group 02/05 NSV Code T2P 0423



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