



HM Revenue
& Customs

What happens if we have paid too much tax credit?

CODE OF PRACTICE
COP26

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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 covers


- what to do if you are having difficulty repaying an overpayment, and
- the reasons you might be able to dispute our decision to recover an overpayment.

Introduction

Tax credits are based on your household income and personal circumstances for the whole of the tax year (6 April to 5 April). If you tell us about a change in your income or circumstances, we work out the revised amount of tax credits for that tax year. If the changes mean you are due less tax credits for that tax year, you may have an overpayment.

In this leaflet, unless we say otherwise, we use the word 'overpayment' for

- an amount owed to us after the end of the tax year. This we normally recover in the following tax year, or
- an amount paid to you which we find during the tax year is likely to exceed your entitlement. This we normally recover through an in-year reduction to tax credit payments to help avoid an overpayment at the end of the tax year.

 **At any time you
can call us on
0845 300 3900**

If you need help, contact us. If you would like independent help, you can ask a friend, a professional adviser or an organisation like Citizens Advice to help you. You can ask them to talk to us on your behalf, but we cannot do this without your permission. Call us and we will tell you how to give your permission.

Asking for more time to pay

You have reduced my payments. What can I do if this causes me financial difficulties?

Call us on **0845 300 3900**. We will ask you for more information about your circumstances before deciding whether to further reduce the rate at which we recover an overpayment (See the next question for details of the information we will ask you about).

We may offer an option for extending the period over which you pay back the overpayment by changing the rate at which you pay it back. If we do increase your payments to help you budget, it will take you longer to pay off the overpayment.

In exceptional circumstances, we may write off all or part of an overpayment if it would cause you or your family hardship to pay it back.

You sent me a notice asking me to make a direct payment within 30 days. I need more time. What can I do?

Call us on **0845 302 1429** as soon as possible so we can make arrangements for you to pay back in equal instalments over 12 months.

If you need a longer period, please let us know when you call. We will want to know

- your family circumstances, in particular young children, and anyone chronically ill or disabled
- your income now and in the future
- your living expenses, (for example, rent, gas or electricity bills)
- your savings, investments and other assets
- your other debts, (for example, mortgage repayments)
- how long it will take you to pay back the overpayment
- any earlier payments to us.

When we have all your information, we may offer you a longer repayment period, or we may delay starting to collect the overpayment from you.

In exceptional circumstances, we may write off all or part of an overpayment if it would cause you or your family hardship to pay it back.

Disagreeing with recovery of an overpayment

Make sure

- you have all the information about your tax credits award before you contact us, and
- that you want to dispute recovery of the overpayment - not just ask for more time to pay.

In which circumstances will you write off an overpayment?

For us to write off an overpayment you must be able to show that the overpayment happened because

- we made a mistake, and
- it was reasonable for you to think your payments were right.

This means that you must have checked your award notice when you received it.

If you ask us to reconsider our decision to recover an overpayment, amongst other things, we will

- check whether our calculations are correct, and that they were based on the information that you gave us
- check whether we instructed your employer to pay the wrong amount of Working Tax Credit
- check whether we delayed using the information you provided
- look for any incorrect or missing details on your award notices that we would have expected you to spot and to tell us about, and
- consider your reasons for believing that your payments were right.

We will take the same approach where another government department made the mistake that led to the overpayment. We would consider whether it was reasonable for you to think your payments were right, following the mistake by the other government department.

But if you want help paying back the overpayment as it will cause you financial difficulties, see the section 'Asking for more time to pay' on page 2.

You gave me the wrong advice

If one of our Helpline advisers, or a letter from us, **wrongly** tells you that your award is correct even though you contacted us

- to tell us your award notice was wrong, or
- to tell us about an unexplained change to your payments, or
- to question how we had worked out your entitlement, and an overpayment then occurs, we will not seek recovery of that overpayment.

We will usually check that you provided full information about your circumstances and income when you spoke to the Helpline so they could give you the correct advice. So please tell us the date and time you telephoned us when you complete form TC846 – *Request to reconsider recovery of overpaid tax credits* to say why you disagree with recovery of the overpayment.

Checking award notices and payments

We expect you at least to have checked that the following details on your award notices were correct (whether at the start of the award period, during the year or when the final award notice comes).

- whether the award is for you as an individual or as part of a couple
- the hours you work
- whether you receive Income Support or income-based Jobseeker's Allowance or Pension Credit
- whether you, or anyone in your household, has a disability element
- the number and age of any children in your household
- childcare costs
- your total household income for the period shown on the award notice.

You should also have checked the amounts going into your bank account. We would expect you to tell us if you received any payments that did not match what was shown on the award notices during the period that the overpayment arose.

We expect you to contact us to let us know about any incorrect information for your circumstances on the day the notice was issued. If you have a change to your circumstances or income, we expect you to contact us again.

We expect you to check that your final award notice correctly shows the details for that tax year.

If there is a dispute regarding an overpayment, we may check our call records to make sure that you contacted us to let us know of any changes or mistakes.

I misunderstood my award notice

We will normally ask you to pay back the overpayment. If you had received an award notice that you did not understand, we would normally expect you, or someone on your behalf, to ask for advice.

I couldn't check my award notice or the payments going into my bank account

We expect you to check that the personal details on your award notice are correct and that the payments you receive in your bank account match those shown on the award notice. If exceptional circumstances - for example bereavement of a close relative or a serious illness - prevented you from doing this, tell us the reasons when you complete form TC846. We will then consider your reasons with the rest of the information you provide.

What do I send you to let you know about my dispute?

Complete form TC846 and return it to the Tax Credit Office. If you didn't get a copy of the form with this leaflet, you can get it from www.hmrc.gov.uk/menus/tax_credits.htm or by calling us on **0845 300 3900**.

What will you do when I dispute recovery of the overpayment?

We will suspend recovery of the overpayment when we receive the form TC846 or a written dispute from you. We will write to you confirming that we are suspending recovery and telling you what happens next. We will decide whether you must pay back all or only part of the overpayment. We will give you this decision, along with our reasons, in writing. If we decide that part or all of the overpayment should be recovered after reviewing the information that you provide, we will start recovery again.

What can I do if you still think that the overpayment should be recovered?

If there is some new relevant information that you can provide, and you are unhappy with a decision to recover the overpayment, please write to us at the address at the back of this leaflet, as soon as possible. We will suspend recovery of the overpayment again while we review the information you give us.

If there is no new relevant information and you are still unhappy with the decision, you may wish to consider referring the matter to the Adjudicator or the Parliamentary Ombudsman.

Alternatively, you may wish to contact a professional adviser or an organisation like Citizens Advice to consider what options are open to you to dispute the recovery, including any through the courts.

What causes an overpayment after the end of the tax year?

Causes of overpayments

An overpayment can happen if, for example

- you delay telling us about a change in your circumstances, or
- we delay recording the change of circumstance that you told us about, or
- your income as a whole for a tax year up to and including 2005–2006 is £2,500 more than your income in the previous tax year, or
- your income as a whole for a tax year from 2006–2007 onwards is £25,000 more than your income in the previous tax year, or
- your award was not based on the right details, or
- you receive provisional payments based upon incorrect information about your personal circumstances, or
- you fail to renew your award on time whereby any provisional payments you received are recoverable.

If you want help understanding what may have caused your overpayment, call us on **0845 300 3900**.

How will you expect me to pay back an overpayment?

Paying back overpayments

We will collect it back by one of the following methods

- if you are still receiving tax credit payments as the same household for which the overpayment arose, we will automatically reduce the amount we pay you (see the next question), or
- if you are no longer entitled to tax credits, we will ask you to make a direct payment to us, or
- if your tax credit award has ended as your household has changed, we will ask you to make a direct payment to us. We will do this even if you are receiving another award of tax credits for a new household you are part of.

How much will you reduce my payments by when you are collecting an overpayment?

We automatically reduce your payments to recover a previous year's overpayment. The maximum recovery rate depends on your current tax credit award as follows

Tax credit award	Maximum recovery rate
An award with no reduction due to income	10%
An award of the family element of Child Tax Credit only	100%
All other awards - For example, those entitled to Child Tax Credit above the family element, or Working Tax Credit below the maximum	25%

Phone us on **0845 300 3900** if you want help understanding which recovery rate applies to you.

If the reduced payments cause you financial difficulties, see the section 'Asking for more time to pay' on page 4. If you dispute recovery of the overpayment, because it arose due to a mistake by us, see the section 'Disagreeing with recovery of an overpayment' on page 3.

Why have my tax credit payments gone down during the tax year?

Your tax credit payments can go up or down if your circumstances or your income change during the tax year.

After you tell us about a change in your circumstances or a change in your income, we work out the new amount of tax credit payments you are due and issue a new award notice. If the changes mean you are awarded less tax credits, we automatically

- reduce your payments, or
- stop paying you tax credits for the rest of the year, if we have already paid you as much as, or more than, you are entitled to.

We may also reduce your payments further to help avoid an overpayment after the end of the tax year. This would only be up to the maximum amounts as set out in the last question.

If you tell us about a change of circumstances and we find you are not entitled to tax credits at all, we will stop paying you tax credits for the rest of the year.

Joint claims

Because you and your partner must make a joint claim for tax credits, we can ask either of you to pay back an overpayment on the joint claim, even if you and your former partner have now split up.

There is an overpayment on a joint claim with my former partner. Who will you ask to pay back the overpayment?

Our first step will be to ask both of you jointly to pay us the money. We will send letters to both of you showing the total amount due. Where we do not have an address for one of you, we will make every effort to trace him or her.

You can ask us to consider whether there should be a difference between what you and your former partner are asked to repay. We will take into account the circumstances, income and expenses of each of you in reaching a decision. Where, for example, you ask us to consider a difference between your and your former partner's ability to pay, we may ask

- each of you to pay us different amounts of the overpayment, or
- one of you to pay us the full amount.

In law, both partners are jointly responsible to pay the full amount unless we send out new notices saying otherwise.

Appeal rights

You can appeal against your Child Tax Credit or Working Tax Credit award if you do not feel it has been calculated correctly and any penalty we have imposed in connection with your tax credits claim. We will always tell you if you have a right of appeal on the notice that sets out the decision.

If you want more information, please read our leaflet WTC/AP '*How to appeal against a tax credits decision or award.*' This is available on our website at http://www.hmrc.gov.uk/leaflets/wtc_ap.htm or by calling **0845 900 0404** or from any HMRC Enquiry Centre.

You cannot appeal against our decision to recover an overpayment although you may have other options available to you, see the section '*What can I do if you still think the overpayment should be recovered?*' on page 5.

Contacting us

- Call us between 8am and 8pm, seven days a week
 - Helpline **0845 300 3900**
 - Minicom/Textphone **0845 300 3909**
 - If you prefer to speak in Welsh **0845 302 1489**
 - If you are living overseas and cannot get through on the Helpline number shown, please call **00 44 289 0808 316**
- Visit any HMRC Enquiry Centre - you may need to make an appointment to see an adviser
- Write to
 - Tax Credit Office
 - Preston
 - PR1 0SB.

HM Revenue & Customs commitment

Customer Service

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, or
- contact us. You will find us in *The Phone Book* under HM Revenue & Customs.

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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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