

Tax credits penalties

What happens at the end of a check

This factsheet tells you about the penalties you may get if your claim for tax credits is not correct. It also explains how to ask for a reconsideration if you disagree with 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 factsheet is for anyone who may be charged a penalty after we have made 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 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
- penalise people who try to defraud the system

Your penalty

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

- on your claim
- when telling us about a change of circumstances
- when providing information to us as part of our checks

We can also charge you a penalty of up to £300 if you have failed to give us information or tell us about any relevant change of circumstances within 1 month.

We will explain why we believe you have failed to tell us of a change of circumstances within 1 month or why we believe you have deliberately declared the wrong information. If you do not accept our explanation you can ask an independent tribunal to decide.

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 you have deliberately given the wrong information. This includes claiming for an element of tax credits you are not entitled to or to increase an element by making a false statement about your 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 young person as being in education/training that counts for tax credits when they are not
- giving us incorrect working hours information such as
 - claiming to be working when not actually 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.gov.uk/hmrc/your-charter

Complaints

For more information about complaints procedures go to www.hmrc.gov.uk/complaint

We have a range of services for disabled people.

These include guidance in Braille, audio and large print. Most of our forms are also available in large print. Please contact our helplines for more information.

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- 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 you do not work those hours, have not done so recently and have no intention of doing so
- claiming to be in prison, an inpatient in hospital or incapacitated when you are not
- claiming to be entitled to Carers Allowance when you 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 it is clear a joint claim should have been submitted
- any other wrong declarations where the information concerns your own circumstances which you 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
- given us new 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

The penalty levels for a failure to notify a change of circumstance within 1 month is £300 and if the failure continues a penalty not exceeding £60 per day may be charged.

For deliberate and incorrect new claims the penalty levels are:-

- £600 for a first incorrect new claim
- £1000 for a second incorrect new claim
- £1500 for a third and subsequent incorrect new claim

For a deliberate and incorrect declaration when reporting any other information the penalty levels are:

- for a first incorrect declaration, 30% of the over-claimed tax credits up to a maximum of £3,000
- for a second incorrect declaration, 50% of the over-claimed tax credits up to a maximum of £3,000
- for a third or subsequent incorrect declaration, 100% of the over-claimed 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

Cooperation

The extent to which you cooperate 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 cooperate, 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 rights

You have the right to ask us to reconsider our decision if we:

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

We call this mandatory reconsideration. Our decision letter will tell you how to ask us to reconsider our decision.

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

We will not treat your request to reconsider as non-cooperation.

Independent tribunals

If we can't change our decision, you can appeal to an Independent Tribunal. Details of what you need to do will be provided in our Mandatory Reconsideration notice.