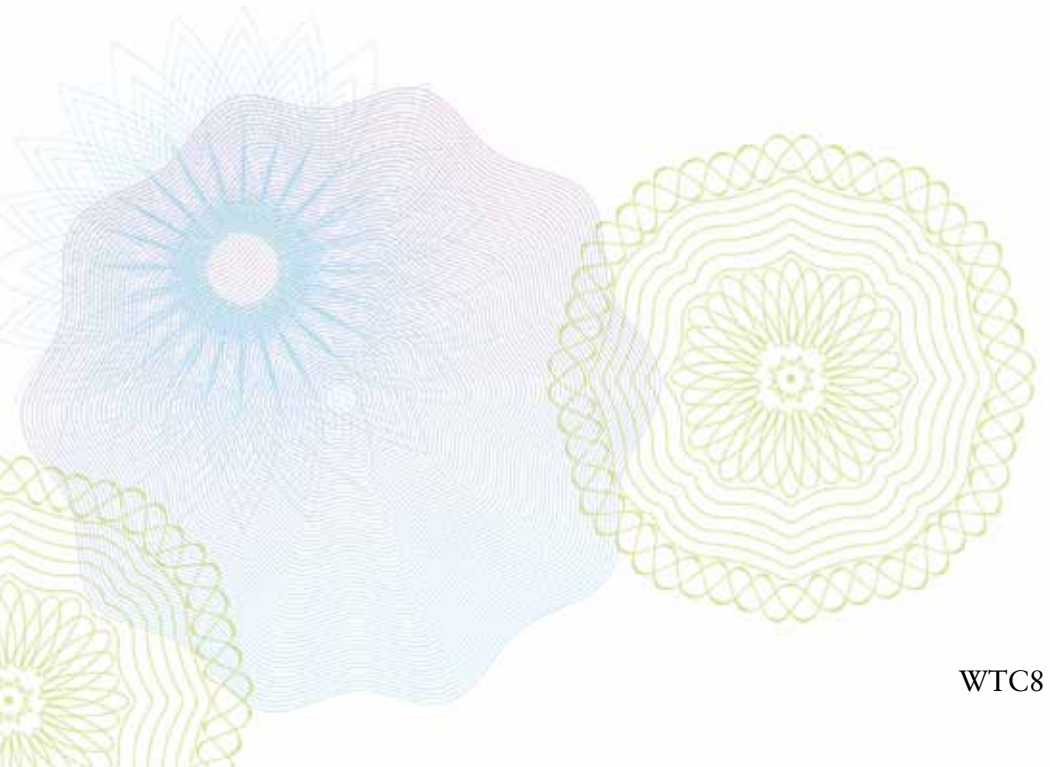




**HM Revenue
& Customs**

Child Tax Credit and Working Tax Credit

Why do overpayments happen?



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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.

Yr Iaith Gymraeg
Ffoniwch 0300 200 1900 i
dderbyn fersiynau Cymraeg
o ffurflenni a chanllawiau.

Tax credits are flexible and change when your life changes. If you don't tell us or delay telling us when things change, you may be overpaid.

Introduction

The checklist TC602(SN) *Check your tax credits award notice* we send you with every award notice tells you which changes you need to tell us about.

If you are overpaid you may wonder why this has happened. Here are some of the most common reasons why people end up with an overpayment.

Your income changes

Tax credits are based on your income as well as your family circumstances.

When we first work out what to pay you, we look at your income for the last tax year – a tax year runs from 6 April one year to 5 April the next. If we don't have this information, we may use your income from the year before the last tax year.

If your annual income for the current tax year is lower than last year, you may get extra tax credits for the current year. The lower your income, the more tax credits you may get. But when your income goes down it might not affect your payments until the following year.

You should always tell the Tax Credit Office your new lower income, to help make sure you get what you're entitled to.

However when your income goes down by £2,500 or less, it will not affect your payments until the following year – if all your other circumstances stay the same. But the Tax Credit Office will use your new income figure to work out what to pay you for the following year.

If your income goes down by more than £2,500, the Tax Credit Office will rework your tax credits but will ignore the first £2,500 of the reduction.

If you tell us your income for this tax year is going to be lower, we can use an estimate of what your income for this year will be. If we use this lower figure it's important you tell us straightaway if your income is going to be higher than you estimated, as this is likely to cause an overpayment.

It is also important for you to tell us if your income for this tax year is going to be higher than it was in the last tax year. This may not make any difference to the money that you get this tax year, because we will ignore the first £5,000 of any increase. But if you don't tell us straightaway when you know your income will be higher, you may be paid too much when we work out what to pay you the next tax year.

What happens at the end of the tax year?

After 5 April each year your payments will continue, but they are provisional and may be based on out of date information. So we will ask you to:

- check the information we hold about you is up to date, and
- tell us how much income you had in the last tax year.

Then we can work out:

- the actual amount of money due to you for the tax year that has just ended, and
- your payments for the current tax year.

If you don't keep us up to date with your income changes:

- you may not be getting all the money you are entitled to, or
- you could be building up an overpayment that you have to pay back.

Example

Karl's income for the last tax year was £22,000. He phones us on 6 August to tell us he has started a new job.

He estimates his income for this tax year will be £18,500. As his income reduced by £3,500, we ignored the first £2,500 and the income we used to calculate his new tax credits payments was £21,000. But then he starts working overtime. He doesn't let us know that his estimated income will be more than he originally told us in August. He waits until he gets his renewal pack the following May, then tells us his income for the year was £20,000. As his actual income reduced by less than £2,500 his final tax credits entitlement was based on his previous year's income of £22,000.

As we worked out Karl's tax credits based on income of £21,000, rather than £22,000, this caused an overpayment. If Karl had told us during the year that his original estimate of his income was going to increase because of his overtime, he might not have had this overpayment.

Including children on your claim

If you include a child on your claim who is not living with you, or if you are getting tax credits for a child and they go to live with someone else, you may be overpaid. This is the same for Child Benefit too.

Example

Raj's children live with him and he gets tax credits for them. Then they go to live with their mum Vimla.

Raj doesn't tell us that his children are no longer living with him. He is not entitled to the money he had when the children were not living with him. He will now have to pay back the overpaid amount.

A change in your childcare costs

You may be overpaid tax credits if you don't tell us when the amount you pay for childcare falls to zero, or goes down by an average of £10 a week or more. For example, if you start getting:

- childcare vouchers from your employer
- early learning or nursery education support, or
- help with your costs from anywhere else.

You also need to tell us if your childcare provider stops being approved or registered.

Example

Marie's two children go to nursery five days a week and she pays childcare costs of £300 a week. In September, her eldest child, Annie, starts school and she no longer pays for a nursery place for her. Her childcare costs go down to £150 a week. Marie does not tell us about this change until December. The first four weeks after Marie's childcare costs change don't affect the money we pay her, but she will have to pay back any overpayment from four weeks after her childcare costs went down, to December.



You stopped work or reduced your hours

If you stop working or reduce your hours and don't tell us, you could end up with an overpayment.

Example

Sandra claims Working Tax Credit (WTC) only, as she does not have any children. On 3 May, she reduces her working hours from 32 to 14 hours a week, but she does not tell us until 12 July.

In some circumstances, we continue to treat a person as working their old number of hours for the first four weeks. So Sandra continues to be treated as working for 32 hours a week for the first four weeks after she reduced her hours. This means that she is not entitled to WTC from 31 May. We ask her to pay back the money she had from 31 May to 12 July.

You get contribution-based benefits

Contribution-based Jobseeker's Allowance and contribution-based Employment and Support Allowance count as part of your income for tax credits. Contribution-based benefits are paid where you have paid or been credited Class 1 National Insurance contributions in the relevant tax years. Your benefit notice tells you if you are getting a contribution-based benefit.

Income-based Jobseeker's Allowance or income-related Employment and Support Allowance are paid where you have not paid or been credited enough National Insurance contributions. If you are getting an income-based benefit, we will automatically pay you the maximum entitlement to any tax credits you can claim.

If you incorrectly tell us that you are getting an income-based benefit, when you are in fact getting a contribution-based benefit, you may be overpaid and will have to pay it back.

Example

Ben and Claire are getting tax credits. Claire earned £16,000 last year and works full-time. Ben earned £10,000 last year and works part-time. In June, Ben loses his job and claims Jobseeker's Allowance. As he has paid enough contributions during the relevant period, he qualifies for contribution-based Jobseeker's Allowance. Ben and Claire incorrectly tell us that Ben is getting income-based Jobseeker's Allowance. Because of this, we pay them the maximum entitlement.

Ben phones us in October to tell us about his new job and earnings. He also tells us that he had in fact received contribution-based, not income-based, Jobseeker's Allowance.

We paid Ben and Claire maximum tax credits for the period when we thought he was getting income-based Jobseeker's Allowance. This meant they got too much money, and now have an overpayment.



You did not renew your tax credits on time

We ask you to renew your tax credits claim each year. We send you a renewal pack, which includes your annual declaration. The pack tells you what you need to do, and by when. If we ask you to reply and you don't do this on time, you may end up with an overpayment.

Example

Abdul gets his renewal pack on 3 May. The pack tells him he has until 31 July to renew his claim. He puts the pack to one side meaning to do it later. But he forgets.

As Abdul has not renewed his claim, his payments stop on 6 August. We ask him to pay back the money he has had from 6 April.

If Abdul had replied in time, any overpayment he had would have been smaller, or he may not have been overpaid at all.

Abdul will get a letter telling him about his overpayment. If he returns his annual declaration or phones us to give us the details within 30 days of the letter, his tax credits will be reinstated.

You split up with your partner, or you start living with a partner

If you are a couple, you must make a joint claim based on your joint circumstances. If you are single, you must make a single claim based on your individual circumstances. If your partner leaves or a new partner moves in and you don't tell us straightaway you may be overpaid.

Example

Robyn's relationship with John ends on 13 January. The children stayed with Robyn after John left. Neither Robyn nor John tells us of the change. Robyn and John's entitlement to tax credits as a couple ends on 13 January.

When Robyn returns their annual declaration on 27 July she tells us about the change. Because their joint claim ended on 13 January, there is an overpayment from:

- 14 January to 5 April (the end of the last tax year), and
- 6 April (the start of this tax year) to 27 July.

If Robyn or John had contacted us at the time John left, we could have helped them claim separately from 14 January. And, the overpayment on their joint claim would have been smaller.

Your child leaves full-time education or training

You need to tell us straightaway if your child leaves full-time non-advanced education or approved training. You need to tell the Child Benefit Office too. If you delay you may get too much tax credits and Child Benefit.

Example

Olga's eldest son Victor starts A levels at college in September. By October, he decides to leave college and gets a full-time job instead.

Olga does not tell us this until the following March. All the tax credits she had for Victor from October to March is an overpayment.

Tax credits are often paid in advance

It is best to tell us about changes as soon as possible, to avoid building up an overpayment. But, even though you have told us on time about a change in your life, you may still have an overpayment. This is because we often pay you tax credits in advance.

Example

Melissa moves in with Sam on 15 February and tells us on the same day. She is told her claim as a single person will end. So she asks for a new claim form to make a joint claim.

Melissa had received a four-weekly payment on 12 February, but this covered her tax credits up to 28 February.

Melissa is asked to pay back the money paid for 15 February to 28 February because her single claim ended on 14 February. As long as she makes her joint claim with Sam within one month of moving in with him, their joint claim will be treated as if made on 15 February.



You did not check your award notice and tell us if it was wrong

Sometimes we do get things wrong. You should check your award notice and tell us straightaway if there is anything wrong, missing or incomplete. Use the checklist sent with the award notice to help you do this.

If you do not do this within one month, you may have to pay back any overpayment.

Example

Michael is sent an award notice on 10 June which incorrectly says that he is disabled. He does not check his award notice properly, using the checklist. So he does not see this mistake until he gets a renewal pack the following April. When he phones to renew his claim, he tells us his award notice was wrong.

All the extra money that Michael had for disability is an overpayment. He will have to pay it back.



When we make a mistake

To help us get your award right and avoid building up an overpayment it's important that we meet our responsibilities and you meet yours.

If we fail to meet our responsibilities, but you meet all yours, we will not ask you to pay back all of an overpayment caused by our failure. If we do ask you to pay back the overpayment in these circumstances, then you can challenge this decision. You have three months from when we send you our decision that you have been overpaid to dispute recovery of the overpayment. We will only consider exceptions where you could not reasonably have been expected to have disputed within three months, for example, you were in hospital for that period.

More detailed guidance can be found in our leaflet COP26 *What happens if we've paid you too much tax credit?*. You can get a copy of this leaflet:

- by going to www.hmrc.gov.uk/leaflets/cop26.pdf or
- if you do not have access to the internet phone our helpline.

Example

Barbara has two children and gets tax credits. In March her eldest child, Julie, leaves school and starts work. Barbara contacts us straightaway to tell us about the change. We don't note the change until June and show the leaving date as June. Barbara contacts us to let us know of the mistake as soon as she gets her revised award notice, but we do not correct it until September. We would correct the decision so that it removes Julie from the award from March and would get rid of any overpayment from March to 1 June. Because Barbara has met her responsibilities, but we did not meet ours, we do not ask Barbara to pay back all of the overpayment that occurred from March until we corrected the error.

More information

Tax credits

If this leaflet does not answer all your questions, and you still don't know why you have an overpayment, or you think you should not have to pay it back, please get in touch with us:

- phone our 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.

Please mark your letter ‘Explanation’.

You can also find more information about overpayments, including preventing them happening, disputes and paying them back on our website. Go to www.hmrc.gov.uk/taxcredits and under *If things go wrong* select *Overpayments*.

Child Benefit

If you would like more help:

- go to www.hmrc.gov.uk/childbenefit
- phone the helpline on 0845 302 1444
- textphone the helpline (for people with hearing or speech difficulties) on 0845 302 1474
- write to us at
Child Benefit Office
PO Box 1
NEWCASTLE UPON TYNE
NE88 1AA.

For our opening hours go to www.hmrc.gov.uk or phone us.

When you contact us, please tell us:

- your full name
- your National Insurance number, and
- 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

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

HM Revenue & Customs

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