

**Welfare**

**R I G H T S**

B r i e f i n g N o t e

***Working Tax Credit  
&  
Child Tax Credit  
Explained***

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The information contained in this booklet is intended to make you aware of some of the complex issues concerning Child Tax Credit and Working Tax Credit. It is not a statement of the law on these issues

**WARNING:**

The information in this Simple Guide is as accurate as possible at the time of printing. However, it is only a guide, and therefore cannot be completely accurate in every respect and cover every possible situation.

We therefore always recommend that you seek advice as soon as possible from a competent person in cases of doubt.

This booklet is available in other languages. If you would like a translated copy please contact:

Welfare Rights Training/Information Officer, Tel: 0116 2787111.

The Social Services Department is constantly working to improve its services. If you would like to make a comment, suggestion or complaint, please contact:

- **Corporate Complaints Manager**  
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## What are Tax Credits?

Tax Credits are a means tested payment divided into two parts; Child Tax Credit (CTC) and Working Tax Credit (WTC). They are administered by Her Majesty's Revenue and Customs (Previously the Inland Revenue) and were introduced in April 2003. Payments are tax free and the amount paid depends on income and family circumstances

## What is Child Tax Credit?

Child Tax Credit is a means tested payment for people who have responsibility for children whether they are working or not. It replaces the previous support in the benefit and tax system for those with childcare responsibilities.

## What is Working Tax Credit?

Working Tax Credit is a means tested payment for those in low paid work. It replaced the Working Families and Disabled Persons Tax Credit

# CHILD TAX CREDIT

## Can I claim Child Tax Credit?

To get CTC you must satisfy all of the following conditions:

- Must be aged 16 or over *and*
- Must be responsible for at least one child or dependent young person who normally lives with you (see below) *and*
- Must satisfy presence and residence conditions *and*
- Must not be 'subject to immigration control' with some exceptions *and*
- Income is within a set limit that varies according to your family circumstances.

## Who should claim?

If you live with a partner (including same sex couples) you must claim jointly as a couple. If you are single you should claim as a single person.

If you are single and start to live with someone as a couple OR if you are part of a couple and no longer live together your entitlement will normally end immediately and you should inform HMRC as soon as possible, you must inform HMRC within one month. If you continue to have childcare responsibility you should make a fresh claim for Tax Credits whether as a couple or as a single person.

If you no longer have responsibility for a child or qualifying young person, your CTC claim will usually end.

## What constitutes responsibility for a child?

Responsibility for a child generally means that:

- The child normally lives with you OR
- You have main responsibility for the child
  - This second test only applies if someone else is also making a claim for CTC for the same child

### Normally lives with you

There are no strict rules concerning a child “normally living with” you. HMRC defines this as the child “regularly, usually or typically” lives with you which allows for temporary absences from home. This means that a child is classed as normally living with you even if they are temporarily away at school or in hospital and you can receive CTC.

A child can count as normally living with you even if they live with you for part of the week and the rest of the time they live with someone else. This means that two people may make a claim for CTC but CTC can only be paid to one claimant (or joint claimants). If this is the case see below.

### Main responsibility

Even if a child lives with you for part of the week you may not be entitled to CTC because you are not considered as having “main responsibility” for that child. At present there is no situation where CTC can be split between claimants. In a situation where you and someone else claim CTC for the same child you can decide who should receive the CTC. If you cannot agree an officer of HMRC will decide for you (you can dispute this decision). HMRC will take into account:

- Any court orders in existence concerning residence/care
- How many days a week the child stays with you
- Who pays for food and clothing for the child (including pocket money)
- Where your child’s clothes and toys are kept
- Who is the main contact for school, nursery or care provider
- Who does the child’s laundry
- Who looks after the child when they are ill

### If there is a dispute seek specialist advice

You are not considered as having responsibility for a child if:

- Your child is placed in accommodation funded by the local authority under Section 23 of the Children Act 1989. OR
- The child is being looked after by the local authority and the local authority is paying for their accommodation and the child has been placed with you with a view to you adopting them. OR
- Your child is in custody
  - Serving life or unlimited sentence
  - Serving a term of more than 4 months
  - Has been detained “during Her Majesty’s pleasure”

A foster child does not count as a member of your family for Tax Credits purposes so you will not be entitled to CTC for that child.

*See appendix 6 for treatment of foster carer’s income.*

## **I am a foster carer can I claim Child Tax Credit?**

**A foster child whose placement is funded by a local authority does not count as a member of your family for Tax Credits purposes so you will not be entitled to CTC for that child.**

*See appendix 6 for treatment of foster carer's income.*

**If you foster a child privately or through a charitable institution the child will be counted as part of your family and you can claim Child Tax Credit. However any income for fostering arrangements will usually be treated as income in the same way as child minders income is (ie 1/3 is treated as profit and counts in full as income).**

## **Who counts as a child or qualifying young person?**

**A child is someone under 16 years of age. A child will continue to be treated as such for CTC purposes until 1<sup>st</sup> September after their 16<sup>th</sup> birthday.**

**A qualifying young person is someone who is over 16 but under 20 who is in full time non advanced education or unpaid approved training who started a course of full time non advanced education or approved training before their 19<sup>th</sup> birthday**

**Young people still count for CTC purposes for the first 20 weeks after they leave full-time education if they are:**

- **Registered for work with**
  - **the careers service**
  - **Connexions**
  - **Department for Education and Skills**

**Young people no longer count for CTC purposes if they:**

- **Start work**
- **Begin training where a training allowance is paid**
- **Claim Income Support in their own right**
- **Claim JobSeekers Allowance in their own right**
- **Claim Incapacity Benefit in their own right**
- **Claim Employment & Support Allowance in their own right**
- **Are at least 16 and claim Tax Credits in their own right**

## **How much CTC will I receive?**

**The amount of Child Tax Credit payable is dependent on household income (see Appendix 1: Income) and is paid on top of any Child Benefit and Working Tax Credit. Extra amounts may be paid to people with a child under 1 year of age and/or children with a disability.**

**CTC is made up of "Elements" that are added together to determine your maximum Child Tax Credits. This maximum CTC will then be reduced by a percentage of any excess income. If you receive Income Support or Income Based JSA you will be paid your maximum CTC.**

Element	Amount pa	Condition
Family	£545	One element Included in the calculation for every family that qualifies
Family Element (Baby)	£545	One element included if a family has a child under 1 year old
Child Element	£2235	One element for <b>each</b> child or qualifying young person in a family
Disability Element	£2670	One element for <b>each</b> child who is entitled to any rate of DLA or registered blind (or ceased to be registered within 28 weeks of CTC claim)
Severe Disability Element	£1075	One element for <b>each</b> child who is entitled to higher rate DLA care component

NB: Disability Element and Severe Disability Element are paid on top of the Child Element.

If you are entitled to CTC but not Working Tax Credit the first threshold for applying a reduction to CTC due to excess income is £16,040. The maximum tax credit is reduced by 39% of any income above this figure.

The family element and baby element are retained until the second threshold of £50,000 is reached and then the family element and baby element are reduced by 6.67% of the excess income above £50,000 (roughly £1 for every £15 over £50,000).

This means that Child Tax Credit is payable to those with a household income of approximately £58,000 or £66,000 with a child under 1 year.

Gross annual household income	Child Tax Credit (£) per annum			
	One Child	1 Child under 1 year	1 child receiving DLA (not high care)	2 Children
No Income	2,780.00	3,325.00	5,450.00	4,715
5,000	2,780.00	3,325.00	5,450.00	4,715
8,000	2,780.00	3,325.00	5,450.00	4,715
10,000	2,780.00	3,325.00	5,450.00	4,715
15,000	2,780.00	3,325.00	5,450.00	4,715
20,000	1,235.60	1,780.60	3,905.60	2,989.25
25,000	545.00	1,090.00	1,955.60	1039.25
30,000	545.00	1,090.00	545.00	545
35,000	545.00	1,090.00	545.00	545
40,000	545.00	1,090.00	545.00	545
45,000	545.00	1,090.00	545.00	545
50,000	545.00	1,090.00	545.00	545
55,000	211.67	756.67	211.67	211.67
60,000	0	423.33	0	0
65,000	0	90.00	0	0
70,000	0	0	0	0

CTC payable if you are not entitled to Working Tax Credit for 2009 – 2010.

If you are also entitled to Working Tax Credit you may be entitled to more (see Working Tax Credit Page 5)

How will I be paid?

Child Tax Credit is usually paid, either weekly or 4 weekly, into a bank account of the main childcare provider. If you do not have an account you will be expected to get one unless there are *exceptional circumstances* to prevent this.

If payments are less than £2.00 a week you will be paid a lump sum.

# WORKING TAX CREDIT

## Can I claim Working Tax Credit?

There are four routes to claiming Working Tax Credit:

- If you have childcare responsibilities
- If you have a disability
- If you are over 50 years of age
- If you are over 25 years of age

There are rules governing the above routes which will be covered in the following pages.

## I am working and have children, am I eligible?

To be eligible for Working Tax Credit you must:

- Be 16 years of age or over *and*
- You or your partner (if you have one) must work for at least 16 hours per week *and*
- be responsible for a dependant child (see page 2) *and*
- Your earnings must be within certain limits depending on your circumstances *and*
- You must satisfy the residence and presence conditions

## I have a disability, am I eligible?

To be eligible for WTC you must:

- Be 16 years of age or over *and*
- You or your partner (if you have one) must work for at least 16 hours per week *and*
- You must have a physical or mental disability that puts you at a “Disadvantage in getting a job” (see appendix 2) *and*
- You must be in receipt of or previously in receipt of certain disability related benefits (see appendix 3) *and*
- Your earnings must be within certain limits depending on your circumstances *and*
- You must satisfy the residence and presence conditions

## I am 50, am I eligible?

To be eligible for Working Tax Credit:

- You or your partner (if you have one) must be 50 years of age or over *and*
- You or your partner (if you have one) must work for at least 16 hours per week *and*
- You (or your partner) must qualify for the 50-Plus element (see Appendix 4)
- Your earnings must be within certain limits depending on your circumstances *and*
- You must satisfy the residence and presence conditions

### To be eligible for Working Tax Credit:

- You or your partner (if you have one) must be 25 years of age or over *and*
- You or your partner (if you have one) must work for at least 30 hours per week *and*
- Your earnings must be within certain limits depending on your circumstances *and*
- You must satisfy the residence and presence conditions

### How much is Working Tax Credit?

The amount of Working Tax Credit paid is dependent on household income. It is paid on top of any wages, Child Benefit and Child Tax Credit

Extra amounts may be payable if you work for more than 30 hours or have a disability or qualify for the 50-plus element.

WTC is made up of “Elements” that are added together to determine your maximum Working Tax Credit. This maximum WTC will then be reduced by a percentage of any excess income. If you have childcare responsibilities all of the elements for WTC and CTC are added together to determine your maximum tax credits before any reduction due to excess income is made.

Element	Amount per annum	Condition
Basic	£1890	One element Included in the calculation for every claim that qualifies for WTC
Couple	£1860	One element included if you are part of a couple
Lone Parent	£1860	One element included if you are a lone parent
30 hour *	£775	Included if you work 30 or more hours per week*
Disability	£2530	One element for <b>each</b> person who receives any rate of DLA and works at least 16 hours per week
Severe Disability	£1075	One element for each person who receives high rate care DLA or higher rate AA
50-plus 16 hour 1 Year only	£1300	One element for each person who meets the 50+ criteria and works 16 hours per week (appendix 4)
50-plus 30 hour 1 Year only	£1935	One element for each person who meets the 50+ criteria and works 30 hours per week (appendix 4)
Childcare	<b>Up to 80% of eligible child care costs per week</b> 1 child £175 (£140) 2 or more children £300 (£240)	

\* - one person works for at least 30 hours a week, **OR** if you are part of a couple and have children one works 16 hours or more and the total hours combined add up to 30 or more per week.

If you are entitled to Working Tax Credit or Working Tax Credit and Child Tax Credit the threshold for calculating excess income is £6420. This means that 39% of any income above £6420 will be deducted from your maximum Tax Credits.

If you are claiming Child Tax Credit and Working Tax Credit the Family Element is retained in the same way as that for CTC only (see page 3)

**Tax Credits payable if you are couple/single parent entitled to WTC and CTC for 2009 – 2010**

\* - Income of £5000 assumes working part time (between 16 -29 hours) per week

# - Income of £8938.80 assumes at least one adult working 30 hours per week at minimum wage.

Gross annual household income	Child Tax Credits and Working Tax Credits (£) per annum and no childcare costs (couple or single parent)			
	One Child	1 Child under 1 year	1 child receiving DLA (not high care)	2 Children
5,000*	6,530.00	7,075.00	9,200.00	8,765.00
8,938.80#	5,547.67	6,092.67	8,217.67	7,782.67
10,000	5,133.80	5,678.80	7,803.80	7,368.80
15,000	3,183.80	3,728.80	5,853.80	5,418.80
20,000	1233.80	1,778.80	3,903.80	3,468.80
25,000	545.00	1,090.00	1,953.80	1,518.80
30,000	545.00	1,090.00	545.00	545.00
35,000	545.00	1,090.00	545.00	545.00
40,000	545.00	1,090.00	545.00	545.00
45,000	545.00	1,090.00	545.00	545.00
50,000	545.00	1,090.00	545.00	545.00
55,000	211.67	756.67	211.67	211.67
60,000	0	423.33	0	0
65,000	0	90.00	0	0
70,000	0	0	0	0

**Tax Credits payable if you are 25 or over and in work, not disabled and with no childcare responsibilities.**

\* - Income of £8,938.80 assumes working part time (between 16 -30 hours) per week

Gross annual household income	Working Tax Credits (£) per annum	
	Single person age 25 or over working 30 hours per week	Couple age 25 or over working 30 hours per week
8,938.80*	1,682.67	3,542.67
10,000	1,268.80	3,128.80
11,000	878.80	2,738.80
12,000	488.80	2,348.80
13,000	98.80	1,958.80
14,000	0	1,568.80
15,000	0	1,178.80
18,000	0	8.80

\* Someone working 30 hours per week and earning the National Minimum Wage would earn £8,938.80 per year.

**Tax credits payable if you are 16 or over and qualify with a disability, in receipt of DLA middle care component with no childcare responsibilities**

Gross annual household income	Working Tax Credits (£) per annum			
	Single person working 16 hours per week	Single person working 30 hours per week	Couple, one qualifies, working 16 hours per week	Couple, one qualifies, working 30 hours per week
5,000	4,420.00	–	6,280.00	–
6,000	4,420.00	–	6,820.00	–
7,000	4,193.80	–	6,053.80	–
8,000	3,803.80	–	5,663.80	–
10,000	3,023.80	3,798.80	4,883.80	5,658.80
15,000	1,073.80	1,848.80	2,933.80	3,708.80
17,000	293.80	1,068.80	2,153.80	2,928.80
20,000	0	0	963.80	1,758.80
25,000	0	0	0	0

The above cases are only a rough guide you may be entitled to more Tax Credits if you qualify for other elements.

How will I be paid?

Working Tax Credit is usually paid, either weekly or 4 weekly, into the bank account of the person working. If you do not have an account you will be expected to get one unless there are *exceptional circumstances* preventing this.

If payments are less than £2.00 a week you will be paid a lump sum.

If you qualify for both Working Tax Credit and Child Tax Credit your payments will be paid in the following way:

- 1<sup>st</sup> – Child Tax Credit Family and Baby Elements
- 2<sup>nd</sup> – Child Tax Credit individual elements (if any remaining)
- 3<sup>rd</sup> – Working Tax Credit Childcare Element (if any remaining)
- 4<sup>th</sup> – Working Tax Credit individual elements (if any remaining)

**Example:**

*Joel and Sabrina have two children aged 5 and 7 and their gross annual income for tax purposes is £15,000. They have no childcare costs.*

*The total Tax Credit award for 2009 – 2010 is £5,673.80 broken down as follows:*

<i>Child Tax Credit</i>	<i>Working Tax Credit</i>
<i>£5,015.00</i>	<i>£1,178.80</i>
<i>(Family Element + Child Element X 2)</i>	<i>(Remainder of Tax Credits)</i>

*Child Tax Credit of £5,015.00 will be paid to the main child care provider and the remaining £1,178.80 will be paid to the person who works.*

**I have childcare costs do I qualify for the Childcare Element?**

**To qualify for the Childcare Element you must:**

- Be a lone parent working at least 16 hours per week
- Be one of a couple who both work at least 16 hours a week
- Be one of a couple one of whom works at least 16 hours a week and the other is “incapacitated” (see appendix 5), a hospital inpatient or in prison.

Your child or children must be aged 15 or under (16 if they qualify for the Disability Element of CTC). The childcare must be provided by a registered childminder or equivalent (see appendix 6) and you must be paying for the childcare.

80% of childcare costs up to a maximum of £140 per week is paid for one child or £240 per week for two or more children.

You may have to provide evidence of any childcare costs incurred.

## **HOW ARE TAX CREDITS CALCULATED?**

**How are Tax Credits calculated?**

Tax Credits are based on your circumstances in the present tax year (whether you are part of a couple, number of children, hours worked etc) and the previous year’s income. At the end of the tax year there is a process of consolidation where all of your circumstances are taken into account and your Tax Credit payments are worked out on your actual income for that year and any underpayment or overpayment is calculated.

**How do I claim?**

For both CTC and WTC you should claim on form TC600, available by calling 0845 300 3900 or at any HMRC office or at a JobCentre Plus Office. Forms are also available from Welfare Rights offices.

## What information do I need?

To claim you must produce a valid National Insurance number or information to enable one to be traced

As Tax Credit awards are based on the previous year's income you will need the details of that year's income. If this is a lot more or a lot less than what you expect to receive in the coming year you will have to provide this figure and then report a change of circumstances immediately so that you will receive the correct Tax Credit award.

## Can my claim be backdated?

A claim for Tax Credits can be backdated for up to a maximum of 3 months if you meet the qualifying conditions.

If you did not qualify for Tax Credits or your award did not include a Disability Element or Severe Disability Element because you were awaiting the decision about a qualifying benefit special rules apply.

- If you did not qualify and your claim was refused it can be backdated to the date of the claim or the date of the award of the qualifying benefit whichever is later.
- If you were paid at a lower rate than you should have received the increase can be paid from the date of the award of the qualifying benefit.

In both of these cases you **MUST** inform HMRC within 3 months of the award of the qualifying benefit to enable you to take advantage of these rules.

If you are making a claim for DLA you should inform HMRC of your claim and if any award is made you will be paid from the date the benefit is awarded from otherwise you will only be entitled to 3 months backdating in the normal way.

## What if my circumstances change within a tax year?

There are certain changes of circumstances that **MUST** be reported within one month of the change occurring, these are:

- A change in your status as a single person or as a couple
- You cease to meet the residence conditions (you move abroad to live)
- Your childcare costs go down by £10 or more per week.
- A change in your work status
- A change in the number of eligible children

If you fail to report these changes within one month of them occurring you may be penalised up to £3,000.

If you stop work you will continue to be treated as if you are in qualifying remunerative work for a 4 week period immediately after you cease or start to work less than 16 hours per week.

## So I do not need to report any other changes?

You are not obliged to inform HMRC of any other changes but to avoid any overpayment or underpayment of Tax Credits it is advisable to inform HMRC as soon as possible. Any underpayment due to a change of circumstances (apart from a decrease in wages) can only be backdated for 3 months; any overpayment will be backdated to the date of the change of circumstances.

## What happens if my income goes up a lot from one year to another?

From April 2006 the amount that yearly income can rise without it affecting your Tax Credits award has risen from £2,500 to £25,000. This effectively means that your income could rise from £10,000 to £35,000 from one year to the next and you will be paid the same amount of Tax Credits. However the following year you will be assessed on the higher figure and your Tax Credits will be calculated accordingly.

This £25,000 tolerance rule is helpful for people returning to work after claiming benefits or moving from part-time work to full-time work.

It is important not to take out any loans etc based on a high income and high Tax Credit payments as you may have a large reduction in payments the following year.

## Example

*Joel and Sabrina from the previous example have an increase in income from £15,000 to £30,000 per annum.*

*Their Tax Credit payments for next year will be the equivalent of the £5,673.80 they received this year.*

*The following year if their circumstances do not change they will only be entitled to the Family Element, equivalent to £545, as their income is too high.*

## How do I renew my Tax Credit claim?

At the beginning of the new tax year you will receive final notice in the form of an ANNUAL REVIEW FORM (which details personal circumstances) and ANNUAL DECLARATION FORM (which deals with income). This information enables HMRC to finalise the award for the year just ended and acts as a new claim for the coming year. Interim payments continue for the new tax year until a FINAL decision is made.

The forms outline the circumstances of your claim and asks that you confirm that the details held by HMRC are the same or that you inform HMRC of any changes so that your claim can be finalised and begin the renewal process.

# **OVERPAYMENTS AND UNDERPAYMENTS OF TAX CREDITS**

Your initial award for Tax Credits is always based on your income for the previous year. Now that the new tolerance of £25,000 applies this should reduce overpayments from 2006/07 onwards. This does not stop any overpayments in 2005/06 tax year or previous years.

## **Tax Credit Claim Process**

**CLAIM**



**INITIAL DECISION AND AWARD**



**CHANGE OF CIRCUMSTANCES**



**REVISED DECISION**



**FINAL NOTICE AND DECISION**



**DEEMED NEW CLAIM**



**INITIAL DECISION AND AWARD & RECOVERY OF ANY OVERPAYMENT**

## There are two types of overpayments of Tax Credits:

- **REAL OVERPAYMENTS** – these can only be calculated at the end of the tax year after all of your income and personal circumstances are confirmed. They can be recovered by:
  - Reducing your Tax Credit payments for the current year (this is the preferred method). The maximum amount that they can reduce your award by is:
    - 10% if you receive your maximum Tax Credit award
    - 100% if you receive only the Family Element
    - 25% for anyone else
  - Asking you to repay the overpayment as a lump sum or 12 monthly payments

- **LIKELY OVERPAYMENTS** – these may occur if your entitlement to Tax Credits reduces significantly in the current year. If this is the case HMRC will try to recover any likely overpayment by
  - Reducing your Tax Credit payments for the current year. The maximum amount that they can reduce your award by is:
    - 10% if you receive your maximum Tax Credit award
    - 100% if you receive only the Family Element
    - 25% for anyone else

*Likely Overpayments are in fact not overpayments as overpayments can only be calculated at the end of the tax year when all details are known and your claim has been consolidated.*

## Underpayments

If you are underpaid Tax Credit HMRC will normally try to correct this by making a one-off payment.

If you are being underpaid during a year and this comes to light HMRC will increase your payments for the rest of the year to cover the underpayment.

## **REVISIONS AND APPEALS**

**I disagree with a decision about my Tax Credit award, what can I do?**

**If you disagree with a decision about your award of Tax Credits you may ask for a revision or you can appeal against the decision.**

**It is often better to appeal against the decision as you only have 30 days from the date of the decision (the date on the award notice not the date you receive it) to lodge an appeal.**

**My award has been refused/stopped, what should I do?**

**You must appeal a decision to refuse/stop an award of Tax Credits. You may not ask for a revision. If you do not appeal or your appeal is unsuccessful you must make a fresh claim for Tax Credits.**

**I have been awarded Tax Credits but I disagree with the amount, what should I do?**

**You can ask for a revision of the initial decision on your Tax Credit award if:**

- **Your circumstances have changed ( eg a birth of another child or award of a benefit that would entitle you to a disability element)**
- **HMRC has “reasonable grounds” for believing you are entitled to a different level of Tax Credit or not entitled to Tax Credit at all.**
- **There has been an official error**

**If you believe that you have a case for revising a decision it is advisable to seek specialist advice. It is very difficult to prove official error.**

**If you have been underpaid Tax Credit because of an official error HMRC has the power to backdate any underpayment for up to 5 years.**

**I have been overpaid Tax Credits, what can I do?**

**If you have been overpaid Tax Credits and you disagree with the decision you can appeal. You cannot appeal against the decision to recover an overpayment but you may appeal against the decision about the amount of Tax Credits you are entitled to or whether you are entitled to Tax Credits at all.**

**You should contact the Tax Credit office that dealt with your claim or call the Tax Credit advice line 0845 300 3900 and request TC 647 for a breakdown of your award.**

**You may be sent form TC846 – Request to reconsider recovery of Tax Credits, you should seek specialist advice to complete this form.**

**If you still disagree with the decision you should seek specialist advice. To appeal you must complete form TC623 or you can put your appeal in writing to the office that made the decision.**

## **Can I be made to repay the overpayment?**

**If the overpayment decision is correct then you will have to repay it. There are circumstances when HMRC may allow you repay the overpayment over a longer period of time or not recover it at all. These are:**

- **You have been overpaid because of an error on the part of HMRC or another government department and it was reasonable for you to think your award was correct.**
- **It would cause hardship to your family if you had to pay your Tax Credit back**

**Again you should seek specialist advice**

## **I am repaying an overpayment and finding it difficult to make ends meet?**

**If your repayments are causing you financial hardship you can request that HMRC make “additional payments” to top up your current Tax Credit claim. These top-up payments bring the weekly award up to:**

- **90% of the Tax Credit award if the claimant is entitled to maximum award based on current circumstances and the claimant receives Income Support or JSA OR**
- **75% of the Tax Credit award if the claimant is entitled to maximum Tax Credits (WTC or CTC) the Tax Credit includes a Disability Element. OR**
- **50% of the Tax Credit award if neither of the above apply.**

**You are not entitled to top up payments if you are in receipt of only the Family Element or the overpayment was caused by you providing incorrect or misleading information at the claim stage.**

**You should be aware that if you accept additional payments then you will be extending your period of repayment and increasing your debt to HMRC.**

## **EFFECTS ON OTHER BENEFITS**

### **Income Support and Income Based JSA**

**Tax Credits were intended to replace all child and family related premiums of Income Support and Job Seekers Allowance.**

**All new claimants from April 2003 will be receiving Tax Credits. People who were receiving IS/JSA before that date are being migrated across to Tax Credits. Some people have not been transferred but HMRC hope that all IS/JSA claimants will have been migrated to Tax Credits by the end of 2013.**

**At present there is no entitlement to Discretionary Social Fund payments for people receiving Tax Credits who would have been eligible because of entitlement to Income Support based on Child and Family Premiums.**

**No families should be disadvantaged by transition as Tax Credit payments should start immediately after Income Support payments are reduced or stop.**

**Child Tax Credit is not counted as income for the purposes of Income Support and JSA but Working Tax Credit is counted as income.**

### **Housing Benefit and Council Tax Benefit**

**WTC and CTC are taken into account as income for Housing Benefit and Council Tax Benefit if you are under 60. If you are 60 or over any CTC is ignored as income for HB and CTB.**

**If your payments of Tax Credits are reduced because of an overpayment HB/CTB staff must use the amount you are paid rather than what it would have been without a reduction.**

**Arrears of WTC and CTC are treated as capital and not income. Arrears paid due to a change of circumstances are disregarded for 12 months.**

**Where there is an overpayment of Tax Credits and it is being recovered from payments of Tax Credits this should not affect HB and CTB as only actual payments should be taken into account.**

### **Non Means Tested Benefits**

**CTC and WTC can be paid in addition to any non means tested benefit**

**Child additions to non means tested benefits cannot now be claimed. If you were entitled to an increase for a child on 5<sup>th</sup> April 2003 you will continue to receive it.**

## **PASSPORTING TO OTHER BENEFITS**

### **PRESCRIPTION EXEMPTION CERTIFICATES**

Available to people who receive:

- Child Tax Credit OR
- Child Tax Credit and Working Tax Credit OR
- Working Tax Credit that includes a Disability or Severe Disability Element

AND your gross annual income is less than £15,276 per annum

### **FREE SCHOOL MILK and HEALTHY START Scheme**

Available to people who get CTC (but no WTC) and there is a child aged under 5 in the family and the relevant income for CTC purposes is £16,040 or below.

### **FREE SCHOOL MEALS**

Available where parent receives CTC but not WTC and relevant income is £16,040 or below

### **FREE SIGHT TESTS, VOUCHERS FOR GLASSES AND DENTAL TREATMENT**

Available where a claimant gets CTC or WTC (which includes any Disability Element) and whose relevant income is less than £15,276 and is named on a valid Tax Credit exemption certificate.

### **SURE START MATERNITY GRANTS and FUNERAL PAYMENTS**

**WTC:** Receipt of WTC where any Disability Element is included in the award

**CTC:** Receipt of CTC where it is paid at a higher rate than just the family element.

## FURTHER INFORMATION

### **Welfare Rights Service**

This department's Welfare Rights Service publishes a range of briefing notes. All these are available at no cost from your local Social Services office or from Leicestershire County Council Website:

[http://www.leics.gov.uk/index/social\\_services](http://www.leics.gov.uk/index/social_services)

### **The Welfare and Employment Rights Advice Service**

The **City Council** has its own Welfare Rights team for residents of the City, who publish a wide range of free leaflets, posters and booklets about benefits. For more details of these, contact the City Council Offices, New Walk Centre, Welford Place, Leicester.

Tel: City Benefits Advice Line, 0116 2543399 (1 pm - 4 pm Monday – Wednesday)  
Job Service Advice Line, 0116 2528643 (9.30 a.m. – 12.30 pm Tues & Fri)

### **Tax Credits**

Her Majesty's Revenue & Customs  
Tax Credit Office  
Preston  
PR1 0SB

Helpline 0845 300 3900

## Appendix 1

# Income

Income is calculated on the **GROSS** income before deductions for Income Tax and National Insurance.

Tax Credit claims are based on the income from the previous tax year.

### Earnings

- Gross amount before tax, NI and Trade Union contributions. Use P60 or final wage slip. If just starting work use an estimate of earnings
- Contributions to personal or occupational pensions are deducted from gross income
- Self employed should use their self- employed tax accounts.
- Statutory Sick Pay counts in full as earnings.
- Statutory Maternity/Paternity/Adoption pay treated as earnings but have a £100 per week disregard

### Benefits

Benefits that are disregarded

- Attendance Allowance
- Back to Work Bonus
- Bereavement Payment
- Child Benefit
- Christmas Bonus
- Housing Benefit and Council Tax Benefit, including Discretionary Housing Payment
- DLA
- Guardians Allowance
- Health in Pregnancy Grant
- Income Support
- Income Based JSA
- Income-Related Employment & Support Allowance
- Industrial Injuries Benefit
- Maternity Allowance
- Pension Credit (Guarantee and Savings Credit)
- SDA
- Short Term Lower Rate Incapacity Benefit
- Social Fund Payments
- WTC

Benefits that count as income

- Short Term Higher Rate and Long Term Incapacity Benefit
- Carers Allowance
- Bereavement Allowance
- Contribution Based JSA
- Contributory Employment & Support allowance

### Income from Savings

State Retirement Pension, Occupational Pension and Personal Pension payments are all classified as **income from savings**.

There are no savings thresholds for Tax Credits.

Actual income from savings is treated as income. The first £300 is disregarded.

Interest from PEPS and TESSAs is ignored.

## **Maintenance**

Maintenance for children is totally disregarded

## **Fostering, Adoption and Residence Orders**

If a child is placed into foster care under Section 23 of the Children Act 1989 the foster family does not have responsibility for the child and therefore cannot receive CTC for that child.

**Adoption Allowance** and **Residence Order Allowance** are wholly disregarded for Tax Credit purposes.

For Foster Carers income rules see appendix 1

## **Student Income**

Student income is wholly disregarded except for Dependant's Grants:

- Child Dependant Grant
- Adult Dependant's Grant
- Lone Parent's Grant
- Two Homes Grant

## **Property Income**

The capital value of property is ignored but any income from renting property (except for income from rent-a-room-scheme) is counted as income less a £300 disregard.

## **Notional Income**

Sometimes a claimant can be treated as having income that they do not actually have. This is called **notional income**.

- Income you have deprived yourself of to get increased Tax Credits
- Income that would be available if you claimed it
- A reasonable rate for work where you accept less than the going rate
- Income you are deemed as having through certain provisions for preventing tax avoidance or when tax law treats capital as income and charges it to income tax.

## Appendix 2

### **Disadvantage in getting a job**

**To satisfy this test, claimants must meet ONE of the following criteria:**

- i) When standing you cannot keep your balance unless you continually hold onto something
- ii) Using any crutches, walking frame, walking stick, prosthesis or similar walking aid which you normally use, you cannot walk a continuous distance of 100 metres along level ground without stopping or without suffering severe pain.
- iii) You can use neither of your hands behind your back as in the process of putting on a jacket or of tucking a shirt into trousers.
- iv) You can extend neither of your arms in front of you so as to shake hands with another person without difficulty.
- v) You can put neither of your hands up to your head without difficulty so as to put on a hat.
- vi) Due to lack of manual dexterity you cannot, with one hand, pick up a coin that is not more than 2.5 centimetres in diameter.
- vii) You are not able to use your hands or arms to pick a full jug of 1 litre capacity and pour from it into a cup, without difficulty.
- viii) You can turn neither of your hands sideways through 180 degrees.
- ix) You are registered as blind or registered as partially sighted in a register compiled by a local authority.
- x) You cannot see to read 16 point print at a distance greater than 20 centimetres, if appropriate, wearing the glasses you normally use.
- xi) You cannot hear a telephone ring when you are in the same room as the telephone, if appropriate, using the hearing aid you normally use.
- xii) In a quiet room you have difficulty in hearing what someone talking in a loud voice at a distance of 2 metres away says, if appropriate, using a hearing aid you normally use.
- xiii) People who know you well have difficulty in understanding what you say.
- xiv) When a person you know well speaks to you, you have difficulty in understanding what that person says.
- xv) At least once a year during waking hours you are in a coma or have a fit in which you lose consciousness.
- xvi) You have a mental illness for which you receive regular treatment under the supervision of a medically qualified person.
- xvii) Due to mental disability you are often confused or forgetful.
- xviii) You cannot do the simplest addition or subtraction.
- xix) Due to mental disability you strike people or damage property or are unable to form normal social relationships.

- xx) You cannot normally sustain an 8 hour working day or a five day working week due to a mental condition or intermittent or continuous severe pain.
- xxi) As a result of an illness or accident you are undergoing a period of habilitation or rehabilitation.\*

**\* This particular condition only applies to new claims for WTC. On renewal claims, claimants must satisfy one of the conditions i) to xx) above.**

## Appendix 3

### Qualifying Benefit Test

To meet this test, claimants must be able to answer “YES” to **one** of the following questions:

#### **Does the claimant receive any of the following?**

- Disability Living Allowance
- Attendance Allowance or an Industrial Injuries or War Pensions scheme equivalent.
- Provision of a vehicle under the Motability Scheme.
- An invalid carriage or similar vehicle

#### **Has the claimant or partner received any of the following in the last 6 months?**

- Incapacity Benefit at the Short Term Higher rate or the Long Term rate
- Severe Disablement Allowance
- Employment & Support Allowance (ESA) – for 28 weeks or a combination of ESA and Statutory Sick Pay (SSP) for 28 weeks, in one period or linked periods
- Jobseekers Allowance (Income Based) **OR** Income Support **OR** Housing Benefit **OR** Council Tax Benefit – Any of which included the Disability Premium or Higher Pensioner Premium

#### **Has the claimant started training for work within 8 weeks of receiving any of the following?**

- Short Term Incapacity Benefit paid at the higher rate
- Long Term Incapacity Benefit
- Severe Disablement Allowance
- Contributory ESA or a combination of Contributory ESA and SSP for at least 28 weeks

**AND** when training stopped, did he/she start work and claim a Tax Credit within a further 8 week period?

Training means: Government run courses such as Youth Training and Work Preparation or a course attended for 16 hours or more a week to learn an occupational or vocational skill.

#### **FAST TRACK ROUTE TO CLAIMING VIA THE DISABILITY ROUTE**

The fast track route allows some people who have been off work for some time, to return to work without having to be off work for a prolonged period (which some of the benefit requirements on the Qualifying Test require), or being entitled to Disability Living Allowance.

To qualify via the Fast–Track route, claimants must have been getting one or more of the following benefits for 20 weeks or more in a single linked period of incapacity for work, with the last day of receipt being no more than 8 weeks before the WTC claim beginning.

The relevant benefits are:

- Statutory Sick Pay
- Occupational Sick Pay
- Incapacity Benefit paid at Short Term Lower Rate
- Income Support paid due to incapacity for work
- NI Credits awarded on the grounds of incapacity for work

**AND**

The disability which puts the claimant at a disadvantage in getting a job is likely to last for at least another six months.

## Appendix 4

### **50 Plus Element**

This element is payable if the claimant or partner is aged 50 or over and has started work in the previous three months for at least 16 hours per week.

Claims must be made within the first three months of starting work. This element is only payable for 12 months whether a continuous period or several linked periods separated by not more than 26 weeks.

The 50 Plus Element is payable if the person who works 16 or more hours per week passes the qualifying benefit test.

- For at least 6 months ending immediately before starting work whether for a single period or consecutive periods (periods not separated by more than 12 weeks) the person working for 16 or more hours a week was receiving: Income Support, Job Seekers Allowance, Incapacity Benefit, Severe Disablement Allowance, Income-Related or Contributory ESA, State Retirement Pension with Pension Credit or a training allowance paid under the “work base learning for adults” or “training for work” schemes. **OR**
- For at least 6 months ending immediately before starting work someone was getting an increase for the person starting work in their Income Support, Job Seekers Allowance, Incapacity Benefit, Severe Disablement Allowance, State Retirement Pension with Pension Credit. including an amount as a couple in Income-Related ESA **OR**
- For at least 6 months immediately before starting work the person starting work was entitled to be credited with National Insurance contributions or earnings.

If any of the conditions above apply but for a period of less than 6 months it is still possible to qualify for the 50 Plus Element if the person starting work was receiving one of the benefits listed and received prior to that Carers Allowance, Bereavement Allowance or Widowed Parents Allowance and the combined period adds up to at least 6 months.

## Appendix 5

### **Partner classed as “Incapacitated”**

- One works 16 hours per week and the other receives
  - Incapacity Benefit (Short Term Higher Rate or Long Term Rate) **OR**
  - Severe Disablement Allowance **OR**
  - Contributory or Income-Related ESA or a combination of Contributory ESA and SSP for a period of at least 28 weeks, either in one period or several linked periods **OR**
  - Attendance Allowance **OR**
  - Disability Living Allowance **OR**
  - Housing Benefit or Council Tax Benefit including a Disability or Higher Pensioner Premium **OR**
  - Has an invalid carriage or similar vehicle

## Appendix 6

### Childcare

Childcare must be provided by:

- A registered Childminder OR
- Other registered childcare providers such as nurseries or after school clubs OR
- Schools or establishments exempt from registration OR
- An out of hours club on school premises run by the school or local authority for children up to the age of 15 (or 16 if the child is disabled) up to the last day of the week in which 1<sup>st</sup> September falls after 15<sup>th</sup> birthday (16<sup>th</sup> Birthday if disabled).
- Childcare provided by someone in your own home by a person approved to care for children.

The cost of approved childcare provided by a “relative” in the child’s own home cannot be claimed.

“Relative” is defined as parent/grandparent/brother/sister/aunt/uncle whether by blood marriage or affinity.

Approved childcare by a relative in their own home is eligible **ONLY** if carer provides childcare for an unrelated child.

#### **Treatment of foster carer’s income.**

Taxation of fostering payments was rationalised in April 2003. This has had a beneficial effect on potential tax credit claims by foster carers who are looking after children through the local authority. Foster care payments under **£10,000 per year**, and **weekly** payments up to £200 (children under 11) and £250 (aged 11+) are not taxable and will be ignored for tax credit purposes.

Child Tax Credit cannot be claimed for looked after children. However, foster carers with their own children, or those who have only foster children but have low other income may well qualify for tax credits.

HMRC treat foster carers as being in **qualifying remunerative work**. The number of hours you declare on the form should be accepted by HMRC. As fostering allowance is ignored for Tax Credit purposes some foster carers will have a “nil” income but will still be eligible for WTC. The qualifying criteria for a claim remain the same and foster children do not count as members of the family.