



WELFARE RIGHTS UNIT INFORMATION SHEET

GUIDE TO TAX CREDITS

From April 2022

RECENT CHANGES TO TAX CREDITS:

Tax Credits have been replaced by Universal Credit {For New Claims only}

Universal Credit has replaced tax credits for most people. All new applicants will have to make a new claim for Universal Credit or Pension Credit.

Tax Credits & Pension Credit premiums for children

From 1 February 2019, Pension Credit customers are no longer be able to make a new claim for Child Tax Credits and Working Tax Credit.

From that date Pension Credit customers responsible for a child or qualifying young person could be entitled to a Child Addition as part of their Guarantee Credit award. Tax credits will continue to be paid by HMRC if previously awarded.

WHAT ARE TAX CREDITS?

They were introduced in 2003 as part of the Government's strategy to combat Child poverty and to help people financially to get back to work.

Help for children is called Child Tax Credit. Help for working people is called Working Tax Credit, which can include an element to help with childcare costs. They are paid to individuals and couples who are:

- in paid work, or
- responsible for children or young persons, or
- both in paid work and responsible for children or young persons, or
- claiming income support or jobseeker's allowance and have children

Tax credits are administered by HM Revenue and Customs rather than the Department for Work and Pensions which oversees most benefits.

The amount of tax credit you receive can be affected by your income. The income figure used is normally that of the previous Tax year. Awards are provisional during the year and may be revised during the year and at the end of the year leading to underpayments and overpayments.

Who can claim?

- You must be at least 16 years old.
- You must not be subject to any limitation on your right to stay in UK, such as limit on working or claiming Benefits under the “no recourse to Public Funds rule”. There are exceptions, such as EEA nationals.
- You (or your partner if you have one) must be present and ordinarily resident in UK.
- You must have the right to reside (for Child Tax Credit only, if you claim for first time after 1.5.2004)
- You are not claiming under the Universal Credit system

For Child Tax Credit claims:

- You (or partner) must have one dependant child for whom you are responsible.
- Your income, whether from working or other sources, is sufficiently low.
- You (or partner) must be at least 16 years old. There is no upper age limit.
- You must be present and ordinarily resident in UK.
- You must not be subject to immigration control and
- You must have the right to reside in UK.

Child Tax Credit changes

From 6 April 2017, support provided through Child Tax Credit will be limited to 2 children, so if you already have 2 or more children any subsequent children born on or after 6 April 2017 will not be eligible for further support. You can still receive a child element for more than 2 children if the children were born before 6 April 2017.

In addition to the 2 child limit, the ‘family element’ of £545 per year will be abolished. In effect this will mean that families with at least one child born before 6 April 2017 will continue to get the family element but claims where the eldest child is born on or after 6 April will not receive the family element.

The two child limit for child tax credit will also affect disabled children. Your Child Tax Credit will only increase if that child is disabled and you get Disability Living Allowance for them and/or you have to pay for registered childcare for them. The disability premium (the disabled and severely disabled child elements in child tax credits) will be protected regardless of the number of children in a family. However, the child element in child tax credits will only be paid in respect of two children in a family, even where the third child is disabled. The Housing Benefit rules will be changed in the same way.

There are some exceptions to this change, such as multiple births;

For Working Tax Credit claims:

- You (or partner) must *either* :
Be working at date of your claim and the work must be expected to continue for four weeks after your claim; or
Have an offer of work which you are expected to start within 7 days of making your claim and the work must be expected to last for at least four weeks.
- You (or partner) must be in full-time paid work. This means at least 16 hours per week and you (or partner) are responsible for a child.
Couples with children will have to work 24 hours a week between them. One member of the couple will have to work at least 16 hours a week. If only one member of a couple works, that person must be working at least 24 hours a week.
- You are a couple, one or both of you are responsible for a child, and one of you works at least 16 hours week, where the other partner;-
 - is in hospital; or
 - is in prison; or
 - is entitled to Carer's Allowance; or
 - counted as "incapacitated".
- You must be over 25 years of age and work at least 30 hours per week, if you (or partner) are not responsible for a child.
- You are 60 years or over, and work at least 16 hours week.
- You work at least 16 hours per week and have a physical or mental disability that puts you at a disadvantage in getting a job and are or have recently been receiving a Disability Benefit.
- You (or partner) must be over 16 years of age. There is no upper age limit.
- Your income is sufficiently low. There is no upper Capital limit.
- You can continue to count as being in full-time paid work for 4 weeks after you leave work or after you reduce your hours to less than 16 hours per week. This is called "Working Tax Credit run-on".

For Childcare Credit in Working Tax Credit:

- You (or partner) must be responsible for a child.
- You are lone parent working at least 16 hours per week,
Or
- You are a member of a couple and both of you are working at least 16 hours per week,
Or
 - one of you works 16 hours per week and the other is incapacitated,
Or
 - the other is entitled to Carer's Allowance,
Or
 - the other is in hospital or in prison.
- The costs must be for "relevant childcare". The childcare must be:
provided by a correctly registered childcare provider, for children from birth to 5th birthday;
Provided to a child between 3 and 4 years by a school on school premises;

Out-of-school hours childcare or supervised activity-based childcare provided for a child between 5 and 15 years (16 years if a disabled child) by school on school premises;
Provided by nurse from a registered Agency in the child's home,
Provided by a registered foster parent.

You are still entitled to Childcare Credit during periods when you are treated as in full-time work, such as during maternity leave.

Tax Credits - General Enquiries

HMRC tax credits helpline

Telephone: 0345 300 3900
Relay UK: 18001 then 0345 300 3909
Monday to Friday, 8am to 6pm

- It can take up to 5 weeks to process a new claim.
- You can claim after starting a new job, at any time of the year.
- If you're on benefits (for example Jobseeker's Allowance or Income Support), you can usually start claiming 7 days before you start a new job.
- You'll be asked for some information and given an estimate of how much you'll get. You may be asked for:

Information to support a claim

- You must provide your National Insurance number and your partner's.
- You will be asked to prove your identity.
- You will have to give details of the previous Tax year's income, all work you do, P60 or wage slips for the previous Tax year, details of any self-employment, details of childcare payments, details of a Bank or Post Office Account into which Tax Credit can be paid.
- For Child Tax Credit, you must provide your Child Benefit Reference number. You may be asked for your child's Birth certificate and any legal document to prove parental responsibility.

Date of claim

The general rule is that a claim starts from the date the form is received by HMRC.

You can claim Working Tax Credit in advance of starting work, provided you intend to start work within 7 days and will be entitled within 7 days of starting work.

A claim can usually only be backdated for **1 month**. You do not have to show any reason for the delay.

Renewal claims

At the end of the Tax year, you are sent a “final notice” asking you to confirm your income and personal circumstances for the Tax year.

You must reply within a strict deadline of 31 July. If you do not, your award will stop and you will be asked to pay back any amount paid to you.

You are sent a “final decision” based on your actual income. This is used to renew your award for the next Tax year.

Getting paid

Tax Credit can be paid every week or 4 weekly into your Account, whichever is more convenient for you. If the amount is £2 a week or less, it is usually paid as a lump sum. If the amount is less than £26 for the year, no award is made and you are not paid.

Length of award

The award runs from date of claim to end of Tax year (5 April). However, changes in your circumstances can be taken into account during the Tax year, which may amend the award or stop it altogether.

Change of circumstances

Tax Credit is calculated provisionally on an estimate of income at the start of the claim with a final decision at the end of the Tax year. Some changes must be reported, with the possibility of a financial penalty if you do not:

- You separate from a partner
- You start to live with a partner
- You stop paying childcare costs or costs go down by £10 week
- You stop being responsible for a child
- You change your hours of work
- You or your partner leave the UK permanently or will be away for more than 8 weeks

Income changes

You do not have to tell HMRC if your income changes; but you may want to do so, as there may be a risk of overpayment or underpayment at the end of the Tax year.

From April 2012, if your income is likely to go down by less than £2500 during the Tax year, your Tax Credit payments will not change; but your reduced income will be used to work out your entitlement for the following Tax year. Also, from April 2012, if your income is likely to go down by more than £2500 during the Tax year, The Tax Credit office will re-work out your Tax Credits entitlement in the current Tax year.

But they will ignore the first £2500 of the reduction. The full amount of the reduction will be used when Tax Credit office work out your entitlement for the following Tax year.

From April 2016, if your income goes up in the current tax year by more than £2,500 a year, you will get less Tax Credits, as the increase will be taken into account straightaway.

So, it is advisable to tell HMRC of any change.

How much is Child Tax Credit?

Maximum Child Tax Credit is calculated using “elements”. The amount you receive depends on your income. The “elements” are:

- Family - £545 a year
- Child - £2935 a year, for each child
- Disabled child - £3545 a year, for each child receiving Disability Living Allowance, or is registered blind
- Severely disabled child - £4975 a year, for a child on high rate Care DLA

From 6 April 2017, Tax Credits entitlement is limited to two children born on or after this date.

How much is Working Tax Credit?

Like Child Tax Credit, maximum Working Tax Credit is calculated using “elements”. The amount you receive depends on your income. The “elements” are:

- Basic - £2070 a year
- Couple - £2125 a year
- Lone parent - £2125 a year
- Disabled worker - £3345 a year
- 30+ hours week - £860 a year
- Severe disability - £1445 a year, if you receive high Care DLA
- Childcare costs – maximum is £9100 a year (£175 a week) for one child or £15600 a year (£300 a week) for 2 or more children. The percentage of eligible costs covered is 70%.

How to calculate the amount of Tax Credit

If you receive certain Benefits, such as Income Support, you receive the maximum amount of Child Tax Credit.

Otherwise, you have to work out:

- Maximum elements for the period of your claim.
- Your income.
- You compare income with a fixed annual threshold figure (for 2022/23 it is £6770 a year for Working Tax and Child Tax Credit).
- If your income is below the threshold, you receive the maximum elements.
- If your income is above the threshold, you subtract the threshold figure from the annual income to find the “excess” income.
- You calculate 41% of this excess.
- You reduce the maximum elements by this figure.
- The maximum elements are reduced in a set way, with Working Tax elements going first, then childcare costs, then child elements.

- From April 2012, the family element will be withdrawn immediately after the child element taper.

Challenging a decision

You should ask for a detailed breakdown of the assessment. You have 30 days from the date on the award letter to ask for a review or to appeal.

You can do this by telephone or in writing. It is advisable to confirm any telephone call in writing.

Complaints

The Adjudicator's Office deals with complaints about the way your claim was handled by Tax Credit Office, about any mistakes made, any delays, poor or misleading advice or inappropriate behaviour by HMRC staff. You can contact the Office at www.adjudicatorsoffice.gov.uk or 0300 057 1111

Your Member of Parliament may be of assistance.

Will Tax Credits affect other Benefits?

Child Tax Credit replaced dependent child additions for many Benefits. But you may be still receiving these additions if any claim still runs from 6/4/2003. If these additions are reviewed and removed, you should be told to claim Child Tax Credit.

Tax Credits are taken into account when entitlement to Housing Benefit/Council Tax Benefit is calculated.

Housing Benefit change

From 6 April 2017 the child addition which forms part of the Housing Benefit calculation will be limited to 2 children. This means that if you already have 2 or more children you will not be entitled to a child addition for any subsequent children born on or after 6 April 2017 when calculating your Housing Benefit. You can still receive a child addition for more than 2 children if the children were born before 6 April 2017.

You may be entitled to NHS Health costs such as free prescriptions, and free school meals. The Tax Credit Office will send out a Tax Credit exemption certificate.

Tax Credits may be payable for 4 weeks after you stop work altogether or reduce your weekly hours below the relevant limit (16 or 30 hours week).

Benefit Cap

This was introduced from April 2013.

Child Tax Credit is one of the benefits subject to the Benefit cap, which limits the total weekly benefits that you can claim;

However, this will not apply if you qualify for Working Tax Credit.

ADVICE & HELP

London Borough of Havering

Welfare Rights Unit

Advice Line

Leave your name and phone number. We'll then call you to discuss your benefit issue.

01708 434444

Email WelfareRightsUnit@haverling.gov.uk

Citizen's Advice Haverling

Telephone Advice

Local Number - 0300 330 2179

Monday, Wednesday, and Friday: 10 am - 12:30 pm

Tuesday 10 am - 4 pm

Thursday 1 pm - 3:30 pm

Email Advice

On the website, click on the Email Advice button and selecting the area you would like advice on

www.haverlingcab.org

Face-to-face (appointment only)

You can book 30 minute appointments at the local hubs at Harold Hill and Rainham - with the following links;

https://bit.ly/Book_CitizensAdvice_HaroldHill

https://bit.ly/Book_CitizensAdvice_RainhamLibrary

All benefits have complex rules and exclusions. Information provided here is as a guide only rather than a full statement of the rules and regulations. Information provided by Welfare Rights Unit, London Borough of Havering, at April 2022.