



Tax Credits overpayments

Tax Credits support 6.4 million families and 10.3 million children. Child Tax Credit helps people bringing up children and Working Tax Credit helps those working on low pay, whether or not they have children.

Since tax credit calculations can change if people's circumstances change, overpayments can sometimes occur that we need to recoup. This briefing provides information about how such overpayments may occur, how to avoid them and what to do if they have been overpaid.

How overpayments can happen

Tax credit overpayments to claimants can happen for a variety of reasons:

- if they failed to tell us about a change in their circumstances affecting their payments
- if their payments were based on wrong information about their personal situation
- if they failed to renew their tax credits on time.

How to avoid overpayments

Claimants should check any award notice we send them carefully and tell us within a month if something is missing, wrong or incomplete, or if there is anything

they don't understand. They should also tell us as soon as possible if a payment made into their bank account doesn't match the amount on their award notice. It is also their responsibility to tell us about any changes in their personal circumstances, so that we can recalculate their tax credits payments accordingly.

Everyone receiving tax credits must also renew on time. We send out a renewal pack between April and June for them to renew their claim after the end of each tax year. The pack tells them what they need to do to renew their claim. For some people this may simply mean checking their details and only contacting us if there has been a change in their circumstances. The deadline for renewing is shown in the pack, and is usually 31 July.

If people fail to renew by the deadline then their payments will stop and they will have to pay back any money from the last tax year that they weren't entitled to. They will also have to repay any money we have paid them since the start of the new tax year, so renewing their claim on time is crucial to avoid being overpaid tax credits.

Compliance checks

We may double-check information customers have given us about their claim to ensure we are paying them the correct amount. Where this is the case, we will send them a letter asking them to supply evidence to confirm their details and we will normally ask them to respond to us within 30 days. If they have any questions or concerns about this, they can contact us using the number given on their letter or via our Helpline (see below).

When someone has been overpaid

When someone has been paid too much tax credit, we will normally ask them to pay it back. This can either be by reducing their ongoing payments or by asking them to make a direct payment, depending upon whether they are still getting tax credits or not. There are limits on the amount by which we will reduce an ongoing award, depending on the rate at which they receive tax credits.

If someone has a 'reduction due to income' shown in part 2 of their award notice then they are receiving tax credits at a reduced rate because of the level of their earnings. If there's no reduction shown, because of their low income, the most that will be taken back from their ongoing payments is 10 per cent.

If they only get the family element of Child Tax Credit, up to 100 per cent will be taken back from their ongoing payments. For everyone else, the Tax Credit Office will take back up to 25 per cent from their ongoing payments. Any customer experiencing hardship as a result of this type of recovery should contact the Tax Credit Office to discuss their circumstances.

Where someone is no longer receiving tax credits, we will normally send them a Notice to Pay asking them to repay the full amount within 30 days. If they are unable to do this, they can arrange to repay the money over 12 months, or possibly longer.

Disputes

If a claimant feels that they have met their responsibilities and that we have made a mistake or given them incorrect advice, they can ask us to look at our decision on their overpayment again. This is called a 'dispute'. They should fill out and return form TC846, which they can request from us or download from our website at the address below. We will stop collecting any overpayment until we've finished looking at the details of their dispute.

To find out more

Anyone with an overpayment or compliance check issue can contact the Tax Credit Helpline on 0345 300 3900 or by writing to the Tax Credit Office at Tax Credit Office, Preston, PR1 4AT.

Those who want to apply for more time to pay should contact our Payments Helpline on 0845 302 1429.

More information is also available at www.hmrc.gov.uk/taxcredits.