



HM Revenue  
& Customs

# Child Tax Credit and Working Tax Credit

Why overpayments happen

## **Tax credits have ended**

Tax credits ended on 5 April 2025. This means we will no longer make any tax credits payments after this date.

Tax credits have been replaced by Universal Credit, or Pension Credit if you're a pension aged customer who is not working but responsible for children.

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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. Contact HMRC for more information.

## Yr Iaith Gymraeg

Ffoniwch 0300 200 1900 I dderbyn fersiynau Cymraeg o ffurflenni a chanllawiau.

## Your rights and obligations

'HMRC Charter' explains what you can expect from us and what we expect from you.

 For more information, go to [www.gov.uk/government/publications/hmrc-charter](http://www.gov.uk/government/publications/hmrc-charter)

**Tax credits changed when your life changed.**  
**If you did not tell us straightaway when things changed, you may have been overpaid.**

## Introduction

This guidance tells you about some of the most common reasons why you may have received too much tax credits (an overpayment).

## Your income changed

Tax credits were based on your income as well as your family circumstances. When we first worked out what to pay you, we looked at your income for the previous tax year - a tax year runs from 6 April one year to 5 April the next. If we did not have this information, we may have used your income from the year before the last tax year.

## Your income went down

If your annual income for the current tax year was lower than the previous year, you may have got extra tax credits for the current year. The lower your income, the more tax credits you may have received. But when your income went down it might not have affected your payments until the following year. You should have told us if your income reduced, to help make sure you got the correct amount of tax credits.

If your income went down by £2,500 or less and all of your other circumstances stayed the same, your payments would not have been affected until the following year. We would have used your new income figure to work out what to pay you for the following year.

If your income went down by more than £2,500, we would have revised your tax credits but ignored the first £2,500 of the reduction.

## Your income went up

It's also important you told us if your income went up.

This may not have made any difference to the money that you got that tax year, because we ignore the first £2,500 of any increase. But, if you did not tell us straightaway when you knew your income would be higher, you may have been paid too much when we worked out what to pay you in the next tax year.

To minimise any overpayment you should have told us of any increase in income immediately.

### Example

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

He estimated his income for this tax year would be £18,500. As his income reduced by £3,500, we ignored the first £2,500 and used the income of £21,000 to calculate his new tax credits payments. He then started working overtime and did not tell us that his estimated income would be more than he originally told us in August.

He waited until he got his renewal pack the following May and then told us his income for the year was £20,000. As his actual income had 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 was going to increase because of his overtime, he might not have had this overpayment.

## You split up with your partner, or you started living with a partner

If you're a couple, you must be part of a joint claim based on your joint circumstances. If you're single, you must have made a single claim based on your individual circumstances. If your partner left or a new partner moved in and you did not tell us straightaway you may have been overpaid.

### Example

Robyn's relationship with John ends on 13 January. The children stayed with Robyn after John left. Neither Robyn nor John tell 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's an overpayment from:

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

If Robyn or John had contacted us at the time John left, the overpayment on their joint claim would have been smaller.

## You did not renew your tax credits on time

Before tax credits ended we asked you to renew your tax credits claim each year. We sent you a renewal pack, which included your annual declaration. The pack told you what you needed to do, and by when. If we asked you to reply and you did not do this on time, you may have ended 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 on time, any overpayment he had would have been smaller, or he may not have been overpaid at all.

## A change in your childcare costs

You may have been overpaid tax credits if you did not tell us when you stopped paying for childcare, or the amount went down by an average of £10 a week or more. For example, if you started getting:

- childcare vouchers from your employer
- early learning or nursery education support (for example, where your local authority in England meets the cost of 15 hours a week free early years education for children aged 3 and 4 and for some children aged 2, or 30 hours free childcare for working parents of children aged 3 and 4)
- help with your costs from anywhere else

You also needed to tell us if your childcare provider stopped being approved or registered, or if you changed to a different registered or approved childcare provider and the amount went down by an average of £10 a week or more.

### Example

Marie's 2 children go to nursery 5 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 4 weeks after Marie's childcare costs change do not affect the money we pay her, but she'll have to pay back any overpayment from 4 weeks after her childcare costs went down, to December.

## Your child left full-time non-advanced education or approved training

You should have told us straightaway if your child left full-time non-advanced education or approved training. You must tell the Child Benefit Office too. If you did not you may have received 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.

## Including children on your claim

If you included a child on your claim who is not living with you, or you were getting tax credits for a child and they went to live with someone else, you may have been 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 and she becomes their main carer.

Raj did not tell us that his children were no longer living with him. He's not entitled to the money he got when the children were not living with him. He'll now have to pay back the overpaid amount.

## You stopped work or reduced your hours

If you stopped work or reduced your hours and did not tell us, you could have ended up with an overpayment.

For more information about changes to your working hours

 go to [www.gov.uk](http://www.gov.uk) and search for WTC2

### 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 these circumstances, we continue to treat a person as working their old number of hours for the first 4 weeks, unless they claim Universal Credit during that period. So, Sandra continues to be treated as working for 32 hours a week for the first 4 weeks after she reduced her hours. This means that she's 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 for example, counted as part of your income for tax credits.

Contribution-based benefits are awarded when you've paid or been credited Class 1 or Class 2 National Insurance contributions in the relevant tax years.

Your benefit notice tells you if you're getting a contribution-based benefit. If you did not tell us that you're getting this, you may have been paid too much tax credits and will have to pay it back.

## You get income-based benefits

Income-based Jobseeker's Allowance or income-related Employment and Support Allowance are given where you've not paid or been credited enough National Insurance contributions.

If you were getting these income-based benefits, we would automatically pay you the maximum entitlement to any tax credits you can claim.

If you told us that you're getting an income-based benefit, when you're getting a contribution-based benefit, you may have been paid too much tax credits 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's 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.

## Tax credits were often paid in advance

We often paid tax credits in advance so you should have told us about any changes straightaway, to avoid building up an overpayment.

### 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.

Melissa had received a 4-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.



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

Sometimes we do get things wrong. You should have checked your award notice and told us straightaway if there was anything wrong, missing or incomplete.

If you did not do this within 30 days, you may have to pay back any overpayment.

### Example

Michael is sent an award notice on 10 June which incorrectly says that he's 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. Although this was initially our mistake, as Michael did not tell us about this error on time, he'll have to pay it back.

## You claimed Universal Credit

Universal Credit supports people who are on a low income or out of work and replaces a range of existing benefits, including tax credits. Eligibility to claim Universal Credit depends on your personal circumstances. You cannot receive both tax credits and Universal Credit payments at the same time.

If you claimed Universal Credit your tax credits award ended on the day before your claim to Universal Credit started, even if you were not entitled to Universal Credit. This means that you may have received some tax credits payments for a period where you've claimed Universal Credit and you'll have to pay them back.

To make sure you've been paid the right money for the period of your award, we asked you to finalise your tax credits award and sent you an Award Review.

### Example

Angela claims Working Tax Credit only, as she does not have any children. She's awarded £1,800 based on her income of £12,000. From 6 April Angela's earnings increase to £20,000 which if reported, would have reduced her tax credits award to £1,000.

On 6 October, she makes a claim to Universal Credit which ends her tax credits entitlement from the day before.

HMRC finalise her part year award (known as In year finalisation) and calculate her tax credits entitlement for 6 April to 5 October to be £500.

She was paid £900 up to 5 October which means she's been overpaid £400 for the period of her award because she failed to tell HMRC about the change to her income.

## You claimed Tax-Free Childcare

You cannot get Tax-Free Childcare at the same time as Working Tax Credit, Child Tax Credit, Universal Credit or childcare vouchers.

Your tax credits will have stopped immediately if you successfully applied for Tax-Free Childcare.

If you received tax credits during the time you claimed Tax-Free Childcare, you'll have to pay the tax credits payments back.

## If we made a mistake

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

If we failed to meet our responsibilities, but you met all yours, we would not ask you to pay back all of an overpayment.


Usually you have to dispute recovery of an overpayment within 3 months from the date of:

- your final decision notice
- the decision on your Annual Review or Finalisation notice
- your Statement of Account
- the decision on your Award Review notice (if your award ended automatically due to a claim for Universal Credit)
- the letter which gives our decision on your mandatory reconsideration
- the letter from the Tribunal or Appeals Service which gives you their decision on your appeal

You can only dispute paying back an overpayment that happened in the tax year the notice or letter relates to. You cannot normally dispute overpayments that occurred in earlier tax years. We'll only accept a late dispute in exceptional circumstances, for example, if you were in hospital for that 3-month period and no one else could deal with your affairs.

If you send us a dispute, we'll continue to recover the overpayment while considering your dispute.

You can find more detailed guidance in our leaflet COP26, 'What happens if we've paid you too much tax credits'. For a copy of this leaflet,

 go to [www.gov.uk](http://www.gov.uk) and search for COP26 or you can contact HMRC if you cannot go online.

## Example


Barbara has 2 children and gets tax credits. In November her eldest child, Julie, leaves school and starts work. Barbara contacts us straightaway to tell us about the change. We do not note the change until January and show Julie's leaving date as January.

Barbara phones us to let us know of the mistake as soon as she gets her revised award notice, but we do not correct it until March. We would correct the decision so that it removes Julie from the award from November. 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 November to March.

## More information

We tell you which changes you need to tell us about in the checklist TC602(SN), 'Check your tax credits award notice now' that we send with every award notice.

If this leaflet does not answer all your questions, and you still do not know why you have an overpayment, get in touch with us. You can:


- contact HMRC on 0345 300 3900
- use Relay UK on 18001 0345 300 3900  
(if you cannot hear or speak on the phone)
-  for our opening hours, go to [www.gov.uk/contact-hmrc](http://www.gov.uk/contact-hmrc)
- write to us at  
Tax Credit Office, HM Revenue and Customs, BX9 1ER

When you contact us, tell us your:

- full name
- National Insurance number
- daytime telephone number

If, after receiving an explanation, you still do not agree that we should ask you to pay back an overpayment, you can ask us to look at this again.

We call this disputing an overpayment. To do this, complete and return form TC846, 'Tax credits overpayment'. You can get a copy:

-  online, go to [www.gov.uk](http://www.gov.uk) and search for TC846
- by contacting HMRC if you cannot go online

You can write to us instead, but you must make sure you give us full details including:

- the tax year for the disputed overpayment
- if and when you contacted us
- why you think the overpayment happened
- why you think you should not have to pay back the overpayment

These notes are for guidance only and reflect the position at the time of writing. They do not affect any right of appeal.

HMRC CDIO CEPO

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HMRC 04/25