

A GUIDE TO TAX CREDITS

Universal credit has now been fully rolled out and you cannot normally make a new claim for any of these benefits, known as legacy benefits:

- child tax credit
- housing benefit
- income-related employment and support allowance
- income-based jobseeker's allowance
- income support
- working tax credit

You must claim [universal credit](#) instead.

What are tax credits?

Tax credits give you financial help if you (or your partner if you have one)

- have dependent children and your income is low and/or
- are in low-paid work of at least 16 hours a week

You must be aged 16 or over and living in the United Kingdom (see below). There is no upper age limit.

The help for children is called child tax credit (CTC) and the help for people in low-paid work is called working tax credit (WTC). Tax credits are administered by HM Revenue and Customs (HMRC), not the DWP.

“Partner” means the person you are married to, or in a civil partnership with, or who you live with as if you were married or civil partners.

What does “living in the United Kingdom” mean?

You must not be subject to any limitation on your right to stay in this country, such as a limitation on working or claiming benefits. There are exceptions to this rule including, for example, if you have refugee status or exceptional leave to remain or if you are a European Economic Area (EEA) national with ‘worker status’.

You (and your partner if you have one) must also:

- be present in the UK
- be “ordinarily resident” in the UK
- have the right to reside (for child tax credit only)

You count as being “ordinarily resident” in the place where you normally live for the time being if your stay can be described as 'settled'.

Your "right to reside" depends on your immigration status and nationality. You can have a right to reside under United Kingdom immigration rules or European Community law or because you are a British Citizen.

You have a right to reside if you have EEA 'worker status'. From 1 March 2014 you are considered to have worker status if you have been working for at least three months immediately before claiming benefits and have been earning average gross pay of at least £162 a week (2018/2019 tax year) or £166 a week (2019/2020 tax year) – which is the threshold where workers start paying National Insurance (NI) contributions.

If you have not earned enough to pay NI contributions or have not worked three months you can still be classed as having EEA worker status if your employment is considered to be 'genuine and effective'. To decide this a decision maker must consider all factors related to your work such as the hours you do, your work pattern, what your work involves and your employment contract, if you have one.

For more information on this see <https://www.gov.uk/government/publications/child-benefit-and-child-tax-credit-right-to-reside-test-workers-and-self-employed-people>

Income and savings

What counts as income for tax credit purposes is largely the same as what counts for income tax and is similar but not identical to what counts for means-tested benefits. The general rule is that taxable income will be taken into account and other income will be ignored, although there are some exceptions.

The benefits that are ignored (because they are not taxable) include: income support, personal independence payment, disability living allowance, attendance allowance and industrial injuries disablement benefit.

Although tax credits are means-tested, they have no capital limit. This means there is no amount of savings that will automatically stop you being able to claim tax credits. Income from capital/savings can however be taken into account so as to reduce the amount of your award. There are disregards of the first £300 a year of income from capital/savings and normally of interest from PEPs, ISAs and TESSAs.

Student grants and loans are ignored apart from grants for adult dependants and lone parents.

Who can get child tax credit?

You can get CTC if you or your partner are responsible for a dependent child or young person and your income is low enough. You do not have to be working to get CTC.

Students

If you are a student with children you can claim CTC.

Young Persons

Your son or daughter is considered to be a child until 31 August following their 16th birthday. After that date he or she is considered to be a young person.

You can still get CTC for a young person until they reach the age of 20 if they continue in full-time non-advanced education or training. 'Non-advanced' means up to and including A levels or equivalent.

Young people no longer count as part of your family for tax credit purposes once they start work, undertake training provided by an employer or claim income support, income-based jobseeker's allowance or employment and support allowance in their own right.

How much is CTC?

Maximum child tax credit is calculated using "elements". You get whichever elements apply to you and your family (but the amount of CTC you actually end up with may be reduced after your income is taken into account). The elements and the yearly amounts are:

- family element (£545) - paid only if you have a child or young person born before 6 April 2017
- child element (£2,780) - for each child up to a maximum of two children or qualifying young persons, if you make a claim or have a child born on or after 6 April 2017 (with some exceptions). You will also be paid for any other child/qualifying young person claimed for before 6 April 2017 (£2,780 for each child/qualifying young person)
- disabled child element (£3,275 from April 2018) - for each child or young person within the family on disability living allowance (DLA), personal independence payment, armed forces independence payment or who is certified as severely sight impaired or blind by a consultant ophthalmologist
- severely disabled child element (£4,600 from April 2018) - for each child or young person within the family on the highest rate of care component of DLA, personal independence payment enhanced rate daily living component or armed forces independence payment

Who can get working tax credit?

You can get WTC if you are at least 16 years old and either you or your partner are working for 16 or more hours a week, provided that you also meet at least one of the following conditions:

- you are a single parent; or
- you are a couple with a child or young person, one of you works at least 16 hours a week and you work at least 24 hours a week between you; or
- you are a couple with a child or young person and one of you works at least 16 hours per week and the other is 'incapacitated' (which means: in hospital or prison or entitled to carer's allowance or getting certain sickness or disability benefits, for example disability living allowance or personal independence payment); or
- you are aged 60 or over, or
- you or your partner qualify for the disabled worker element: this element is a significant one for disabled people and there are several ways to qualify, outlined in our [guide to tax credits - extra money due to disability](#).

Otherwise, you can only qualify for WTC if you are aged 25 or over and work at least 30 hours a week.

Students

If you are a student you can claim WTC if you work the relevant number of hours (16+ or 24+ or 30+ hours a week depending on your circumstances).

How much is WTC?

As with child tax credit, WTC is calculated using "elements". You get whichever elements apply to you (but the amount of WTC you actually end up with may be reduced after your income is taken into account). The elements and the yearly amounts are:

- basic element (£1,960 from April 2018);
- couple element (£2,010 from April 2018) - if you have a partner;
- lone parent element (£2,010 from April 2018);
- childcare element (70% of maximum eligible childcare costs of up to £175 a week for one child or up to £300 a week for more than one child. Therefore the maximum weekly childcare element you can get is £122.50 for one child, or £210 for two or more children;
- 30 hour element (£810 from April 2018) - if you or your partner work at least 30 hours a week. If you have a partner and one of you is responsible for a child or young person you can get this element if you work at least 30 hours between you providing one of you works at least 16 hours a week;
- disabled worker element (£3,165 from April 2019 - if you have a physical or mental disability which puts you at a disadvantage in getting a job and you are working. If this applies to your partner as well then you can get two disability elements;
- severe disability element (£1,365 from April 2019) - if you get the highest rate of disability living allowance care component or attendance allowance or personal independence payment enhanced rate daily living component or armed forces independence payment. If you have a partner and you both qualify you can get two severe disability elements.

What childcare costs count?

You must use registered or approved childcare, for example a registered childminder or an after-school club. For exactly what childcare counts see HMRC leaflet [WTC5 - Help with the costs of childcare](#) .

If you are part of a couple you must both be working at least 16 hours a week or one of you must be working at least 16 hours a week and the other must be 'incapacitated' (which means: in hospital or prison or entitled to carer's allowance or getting certain sickness or disability benefits, for example personal independence payment or disability living allowance).

Students cannot receive both student childcare grant and WTC childcare costs at the same time.

How do I claim tax credits?

You claim both CTC and WTC on the same form, TC600, which has a booklet of notes accompanying it called *Getting your tax credits claim form right (TC600 notes)*. You can get form 1k Working and Child Tax Credit / disAbility Cornwall & Isles of Scilly Ltd / April 2015 / Updated July 2019

TC600 from Jobcentre Plus or from the Tax Credits Helpline on 0345 300 3900 (textphone 0345 300 3909). You cannot download a copy of form TC600 from the Internet but the notes are available at

www.hmrc.gov.uk/forms/tc600-notes.pdf.

If you meet the qualifying conditions, tax credits can be backdated for a maximum of 31 days. Longer backdating is not possible for CTC claims but is possible for WTC claims after a qualifying disability benefit has been awarded: if you claim WTC within 31 days of the date when your qualifying disability benefit is awarded, your WTC can normally be backdated to the date when you claimed your qualifying disability benefit.

Completing the claim form

The tax credits claim form is electronically scanned so you must write clearly and not attach any other documents to it. If you have a partner you must make a joint claim.

When you make your claim you do not have to supply any evidence with the claim form. But it is advisable to keep records in case HMRC needs to check information with you later. This could include records of childcare payments, gross earnings (your P60 is the best proof of this) and any taxable income, including taxable social security benefits. Normally HMRC will base your tax credits assessment on your income during the last tax year – for more information see the section below about changes in your income.

How will I be paid?

Your tax credits will be paid into your bank account either weekly or four-weekly by HMRC. If you or your partner gets CTC or the childcare element of WTC, these amounts will be paid into the main carer's bank account.

Your tax credits award will usually run for the whole tax year if you claim from 6 April. If you claim after 6 April it will run from the date of your claim until the end of the tax year.

Changes in your income from one tax year to the next

Tax credits are affected by income during the current tax year or the previous tax year. (The tax year runs from 6 April to the following 5 April.) Tax credits are reduced if you have income above £6,420 a year, but the reduction is **normally** based on whichever year's income leads to the **lower** reduction. From 6 April 2013 the income taken into account for working tax credit will normally be your income in the tax year April 2012 to April 2013 but it can be the income for the tax year April 2013 to April 2014 in some cases. The main rules are that –

- your income can **increase** by up to £5,000 a year compared to the previous year before it affects your tax credit entitlement for the current year
- if your current year income is **less** than your previous year's, the first £2,500 of the decrease is ignored. Where the fall is less than £2,500, the higher previous year figure will apply. If the fall is more than £2,500, the figure is the lower current year figure plus £2,500.

Changes of circumstances (apart from changes in your income)

When you first claim (or at the start of the tax year, if you are renewing your claim), your tax credits award is based on an estimate of your income. HMRC then makes a final decision at the end of the tax year after comparing your award to your actual income. You do not have to tell HMRC if your income changes during the tax year but if you don't there is a risk that you will be underpaid or overpaid. If you have been underpaid, HMRC will pay you a lump sum. If you have been overpaid you will normally have to pay the money back in instalments.

The changes that you must report within one month (or risk paying a penalty) are if:

- you separate from your partner
- you start to live with a new partner
- you stop paying for childcare
- your childcare costs go down by £10 a week
- you stop being responsible for a child or qualifying young person (or the one you are responsible for dies)
- your work hours change so that you no longer meet a 16+ or 24+ or 30+ hours a week qualifying rule
- you or your partner leave the UK permanently, lose the right to reside or are away from the UK for at least 8 weeks (12 weeks if you go abroad due to illness or death in your family).

What if I disagree with my tax credits decision?

If you disagree with a decision you can write or phone to ask HMRC to look at it again. For disputes that start on or after 6 April 2014, this is a step that you must take before you can appeal. It is called 'mandatory reconsideration': see our [Guide to Appeals and Reconsideration](#). If you disagree with the mandatory reconsideration decision you can appeal. You must do so in writing direct to HM Courts and Tribunals Service (and it's best to use their appeal form SSCS1). There are time limits at each stage (for you, but not HMRC). You must request a mandatory reconsideration within 30 days of the decision you disagree with and you must appeal within 30 days of the mandatory reconsideration. Late requests for mandatory reconsideration and late appeals will only be allowed with good reason and longer delays need better reasons.

If you are in dispute with HMRC, note that they generally record calls to the Tax Credits Helpline, and either the Tax Credit Office or the HMRC Data Protection Unit will send you the recordings on request.

The Adjudicator's Office (AO) - www.adjudicatorsoffice.gov.uk - also deals with complaints about the way your claim has been handled by the Tax Credits Office. You can complain to the AO about mistakes, delays, poor advice by staff or inappropriate staff behaviour.

Overpayments: when and how will HMRC recover them?

HMRC has the power to recover each and every overpayment they make, regardless of whose fault it was, and they generally opt for recovery. You have no right of appeal against a decision to recover an overpayment (but you can appeal if, for example, an overpayment has been calculated incorrectly). HMRC practice on recovery is set out in Code of Practice COP26

(www.hmrc.gov.uk/leaflets/cop26.pdf). If you fulfil all your responsibilities as listed in COP26, but HMRC has not fulfilled theirs, they will generally write off the overpayment.

The effect of overpayments on other benefits

If your tax credit award changes this may affect other benefits such as housing benefit or localised council tax support and you should seek further advice about this.

How will tax credits affect my other benefits?

If you have been on income support or income-based jobseeker's allowance for many years, your benefit may include amounts for children: these will eventually be replaced by CTC or by you being transferred onto universal credit (which includes amounts for children).

Employment and support allowance does not include amounts for children and so you should check if you can claim CTC for any child or a qualifying young person that is living with you.

Any CTC and WTC you receive may also affect your housing benefit and/or help with council tax through localised council tax support.

A tax credits award may also entitle you to national health benefits such as free prescriptions or dental treatment. If you qualify for this help HMRC will send you an NHS tax credit exemption certificate.

Where can I get more help and information?

There are several ways to get help from HM Revenue and Customs about tax credits.

Tax Credits Helpline

0345 300 3900 (textphone 0345 300 3909): calls are not free but costs should be reduced for callers, especially from mobile phones. Calls are generally charged at the local rate, and may be included in some free weekend or evening call packages. The Tax Credits Office notes called *Getting your tax credits claim form right (TC600 notes)* is at www.hmrc.gov.uk/forms/tc600-notes.pdf.

Tax credits 'Where's my reply?' service

This is a simple way to find out when to expect a response without the inconvenience and cost of phoning the tax credits helpline. You can go to www.hmrc.gov.uk/tools/progress-tool/tax-credits.htm and check on the progress of your tax credits enquiry or new claim. You'll need to select the reason why you contacted them (from the list below) and the date you phoned or wrote in. You can use 'Where's my reply?' if you want to check how long it will take the Tax Credits Office to:

- send you the claim pack you asked for
- deal with your new claim
- deal with a change of circumstances that you told them about
- send you the award notice you asked for

- backdate your claim
- return the valuable documents you sent, such as birth certificates or passports

If your query is not shown above, you can't use 'Where's My Reply?' and should phone or write to the Tax Credits Office in the usual way.

HMRC extra help service

This service, active across the UK from June 2014, provides support with tax and tax credits. The support is mainly over the phone and, if you need it, also by face-to-face appointment at a venue that is convenient to you. You can access the service by phoning the Tax Credit Helpline. To find out more, see hmrc.gov.uk/extrahelp

If you need any further support or information please contact DIAL on 01736 759500 or you can refer directly to the link below:

www.disabilityrightsuk.org

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