# Tax Credits – A Short Guide

**PLEASE NOTE:**

**Most people cannot now make a new claim for Tax Credits.**
**This includes people of working age, pensioners who were previously entitled to make a claim, and couples where one person is of working age and the other is of pension age.**

**Only some severely disabled claimants may make a new claim for TCs – see below.**

**Please only use this leaflet if you are sure you can make a new claim, or if you have an existing Tax Credit claim.**

**New claims for Tax Credits**

**It is now only possible to make a new claim if you are receiving an award of Income Support or Income-Based Jobseeker's Allowance or Income-Related Employment and Support Allowance or Housing Benefit which includes a 'severe disability premium' (SDP) – or you did so within the last month and you still meet the criteria for receiving an SDP.**

**The rules will change again on 27/1/21 – seek advice if you are considering a new claim in early 2021.**

If you are a couple and one of you is over pension age, the younger partner will need to be the claimant for Tax Credits.

**What is the SDP?**

SDP is payable if you receive a 'qualifying benefit':

- Disability Living Allowance (at the middle or high rate for personal care),
- Personal Independence Payment (at the standard or enhanced rate for daily living)
- Attendance Allowance
- Armed Forces Independence Payment
- Constant Attendance Allowance
- Exceptionally Severe Disablement Allowance (or its War Pension equivalent)
- and if you are single, you do not have a 'non-dependant' member of your family living with you (e.g. a grown-up son or daughter) – but seek advice, as sometimes you may still be able to claim the SDP, for instance if the 'non-dependant' is also on a qualifying benefit, or is separately liable to pay for the accommodation, ***or is certified (or treated as certified) as severely sight impaired or blind***
- if you are part of a couple who are both on a qualifying benefit and there is no non-dependant living with you, as above



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- and nobody claims and is paid Carer's Allowance for looking after you, or receives the 'carer element' of Universal Credit for looking after you.

**Existing claims for Tax Credits**

Your claim for Tax Credits will continue for the time being, unless there is a change in your circumstances which ends your TC claim. If you then make a new claim for means-tested help, the claim will be usually for UC and would take over all your existing 'legacy benefit' claims.

This does not apply if you have the severe disability premium in an existing benefit – see above.

Changes of circumstances that do not end your TC claim and/or result in a claim for a new means-tested benefit will not trigger a UC claim.

**Example of a change that closes a Tax Credits claim and means a UC claim is needed**:

Jim and Jen are a couple, and are claiming Tax Credits, neither of them is disabled. They have two children. They live in a UC full service area. They separate and this change of circumstances closes their Tax Credit claim. They must now make separate claims, which must be for Universal Credit.

**Example of a change that does not close a claim and no UC claim is needed**

Nesta is a lone parent and cares for her disabled son. She receives Tax Credits. Her 13 year old nephew moves in with the family. She can ask for Tax Credits for the new child as although her circumstances have changed, her claim does not close.

Between November 2020 and September 2024, all existing claimants will be contacted and asked to transfer their Tax Credit claims to Universal Credit.

See also our leaflet 'Universal Credit –what is happening now and in the future', or contact the helpline for advice.

The rest of this leaflet describes the Tax Credits system for existing claimants and can also be used if you are entitled to make a new claim.

**Who is entitled to Tax Credits?**

NB see above - most people now cannot make a new claim for Tax Credits –seek advice

For **Working Tax Credit** you can claim if:

- you are aged 16 or over and you are responsible for a child/ children or a young person(s), you have a partner and you work at least 24 hours a week between you (one of you must work at least 16 hours a week)
- you are aged 16 or over and you are responsible for a child/children or young person(s) and you work 16 hours a week if you are a lone parent
- you are age 16 or over, you work at least 16 hours a week and you are a disabled worker (see below for more details)
- you are aged over 25 and you work at least 30 hours a week

For **Child Tax Credit** you can claim if you are 16 or over and you are 'responsible' for a child/children/young person(s) and you are their main carer.

If you fit at least one of these categories you may make a claim – but you will only get a payment if your income is low enough.

**Who counts as a disabled worker?**

There are various ways to get Tax Credits as a disabled worker:

You must be facing a disadvantage at getting and keeping work because of a disability and:

- You get a disability benefit such as Personal Independence Payment, Disability Living Allowance, Attendance Allowance, Armed Forces Independence Payment or equivalent benefits paid through Industrial Injuries or War Pensions schemes.

- You have been receiving certain disability-related benefits such as Employment Support Allowance or extra money called disability premiums in benefits such as Income Support, Income-Based Jobseeker's Allowance or Housing Benefit within the last 26 weeks.

- You may also qualify if you have been on sick pay from work, if you have a Motability car, or if your earnings have fallen because of a disability.

**'Responsible' for a child**

You are 'responsible' for a child who usually lives with you and for whom you act as a parent


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- If you are in a situation where you share care of a child or there is a dispute about who is the main carer, seek advice. It is not possible to pay Tax Credits to two people for the same child. HMRC will make the decision if you cannot reach agreement.

**Who counts as a child?**

For Tax Credits, a child is anyone under the age of 16

**Who counts as a young person?**

A young person is someone age 16 or over and under the age of 20: in order to get Tax Credits for a young person, they must be in full-time education which is 'non-advanced' (for instance they can be at college but not at university) and they must not be claiming benefits for themselves.

- It is important to tell HMRC if a young person is staying in education when they reach the age of 16. Give full details of the course as soon as you know about it – this can prevent problems with your Tax Credit payments.
- Also tell HMRC if the young person is not staying in education – this will avoid you being paid too much Tax Credit.

**What is the 'two child limit' in Child Tax Credit?**

Changes in the Child Tax Credit (CTC) rules from 6/4/17 mean that you may not be able to claim a CTC 'element;' for a third or subsequent child born on or after that date. Unless exemptions apply, you will only receive CTC 'child elements' for the first two children in your household.

CTC for a third or subsequent child who is disabled or severely disabled will still be available even if they are born after the introduction of this limit. Although you will not receive the 'child element' for this child, you will still receive the relevant CTC 'disabled child' element (see How are Tax Credits Worked Out).

The exemptions to this new rule are:

- multiple births
- step-parent caring for step-child (in some circumstances)
- adoption from local authority care
- 'non-parental' care arrangements (where formal arrangements have been made for a friend or member of family to care for a child)
- where the child is the child of a young person under the age of 16 for whom you are claiming, and you add the new child to your claim
- where a child is conceived as a result of rape or in a coercive or controlling relationship.

It is most important to seek advice about these exemptions, as the rule is very new and you may need confidential professional support, especially regarding the last point.


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**How to claim Tax Credits**

NB see above - most people now cannot make a new claim for Tax Credits –seek advice

Call the Tax Credit Helpline: telephone: **0800 024 1222** - textphone: 0345 300 3909
8am to 4pm, Monday to Friday – these hours reflect changes made during the coronavirus outbreak, and may change again.

The Tax Credit claim form is called a TC600 and it comes with guidance notes 'Getting your tax credits form right'. This gives a page-by-page guide to completing the form.

**Backdating your claim -**

You can usually backdate a claim for a month (31 days), if you were eligible for Tax Credits during that time but did not claim. You don't have to give a reason why your claim is late.

If you have been waiting to hear about your claim for a disability benefit, for instance Personal Independence Payment, and that benefit is awarded from a date prior to the start of your Tax Credit claim, you may be able to get the Tax Credit claim backdated to match the start date of the disability benefit claim. This can be complicated and you should seek advice about backdating within one month of being told about the disability benefit award.

**Information you need to make a claim**

- Your National Insurance number
- Your income from work, pensions, benefits etc for the last tax year
- Make sure you are clear about amounts of benefit, and the exact name(s) of the benefit(s) that you get
- Details of any childcare payments you have to make
- The number of hours you work a week.

Make sure that if you or anyone for whom you are claiming receives Disability Living Allowance, Personal Independence Payment, Armed Forces Independence Payment or Attendance Allowance, you say what rate of benefit is payable and who is getting it. These benefits do not count as income for Tax Credits but they can mean that you qualify for a higher award of Tax Credits.

If you or someone you are claiming for receive benefits such as Employment and Support Allowance or Jobseeker's Allowance, make it clear in your Tax Credit claim whether the benefit is based upon National Insurance contributions (contributory) or it is 'income-based' (means tested) If in doubt, check with your Jobcentre. Doing this can help you to avoid being overpaid Tax Credits by accident.


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**How are Tax Credits worked out?**

The calculation is complex but its basics are:

A **maximum tax credit** is worked out – what this is depends upon:

- who you are claiming for
- if you or anyone you are claiming for is disabled and getting Personal Independence Payment, Disability Living Allowance or Attendance Allowance
- how many hours you work
- if you have to pay child care fees
- how many children you are claiming for.

Extra Tax Credit is payable if you have children or young people who get Disability Living Allowance or Personal Independence Payment, or are registered blind (or have been taken off the register in the last 28 days).

Your **taxable income** for the tax year is compared to a 'threshold' which is set each year. Taxable income includes wages, most benefits, pensions, taxable income from savings and all other taxable sources.

If your income is below the threshold for Tax Credits, you will get the maximum Tax Credit.

If your income is above the threshold you are not refused Tax Credit but you will not get the maximum amount. Your Tax Credit award tapers away so that the more income you have above the threshold, the lower your Tax credit award. If your income is too high, you will not get Tax Credits.

You can get a, online estimate of how much Tax Credit you may receive at:
https://www.gov.uk/tax-credits-calculator

Your income for working out Tax Credits is usually that for the last complete tax year (which ends on April 5th each year) – however if your income in this tax year is lower than in the last, tell the Tax Credits office.

**When you receive a decision on your Tax Credit claim**

You should check any decision (and any other letters that you get from then on) carefully, and if you think anything is wrong you should tell the Tax Credits office or seek advice.

Unlike most other benefits, if you are paid too much Tax Credit because of a mistake, you can be made to repay the excess amount even if the mistake wasn't your fault.

See our leaflet 'Tax Credit problems and challenging decisions' – for advice on how to deal with overpayments and other Tax Credit problems.


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**How Tax Credits are paid**

Tax Credits are paid in to your bank account, or similar account. You can choose to be paid every week or four weeks.

Child Tax Credit and any child care costs are paid to the account of the main carer for the child/ren.

**Avoiding Tax Credit problems**

- Tax Credits run on an annual system which looks at your income over a full tax year and so may be affected if your income goes up or down during the year.
- Your Tax Credit award starts when you claim it, but is only finally confirmed at the end of the tax year, at which point you usually receive forms to close your claim for this tax year and start a new one – make sure you reply before the renewal date, which is usually 31st July. It is possible to reply later, but your Tax Credit award will stop, and you must show good cause for being late in replying if your Tax Credit award is to be restored. If you can't show good cause or you are later than the following 31st January, you must make a new claim. Seek advice in this situation.
- The Tax Credit office will check you have been paid properly through the year: if you have been paid too little, you may get money back – but equally if you have been paid too much, you may face a demand to repay it.
- A Tax Credit award can change during the year, if your circumstances change or if the Tax Credit office thinks they are paying you too much. If you receive a letter telling you about changes, read it carefully and seek advice if you are not sure what to do.
- You need to check any letters you get from Tax Credit and tell them right away if you think anything is wrong.
- If you want to dispute a Tax Credit decision you usually need to do so within 30 days of getting that decision.
- If in any doubt, seek advice.

**Things you MUST tell the Tax Credits office within one month**

The following changes may mean that your claim stops and you have to make a new one. If you do not tell the Tax Credit office of these changes within one month you may not just face a bill for overpayment, but also a penalty charge if you are considered to have acted fraudulently or negligently.

- If you were single but have become part of a couple
- If you were part of a couple but you have separated
- If you/your partner leaves the UK for more than 8 weeks or you lose your right to reside in the UK
- Your child care costs go down by £10 or more over a period of four weeks or child care costs have stopped
- Your working hours (or those of your partner) drop below 16 hours or 30 hours


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- You are a couple with children and your combined total of working hours drops below 24 hours a week or 30 hours a week
- You cease to be responsible for a child or young person (or a child dies)
- A child or young person ceases to count for Tax Credit purposes (see above for who counts) – for instance by leaving college early.

**Things it is best to tell the Tax Credits office as soon as possible**

- If your income goes up by £2,500 or more within the tax year
- If your income goes down by £2,500 or more within the tax year
- If you have a new baby, or a child joins your family
- Your child care costs go up by £10 or more a week for at least four weeks
- Someone you claim for qualifies for a disability benefit such as Personal independence Payment, Disability Living Allowance or Attendance Allowance
- You fall ill and can't work temporarily (you will usually be treated as still working for up to 28 weeks)
- You are on maternity or paternity leave (you will usually be treated as still working for a period).

Remember that you can only backdate most changes for one month, and so if the change means you get paid more Tax Credits you should report it quickly. Reporting increases of income will help avoid overpayments.

If you are in any doubt – seek advice.

**Other Help – health costs, free school meals**

You may get help with health costs (free prescriptions etc) if you get –

- Child Tax Credit
- Working Tax Credit paid with Child Tax Credit
- Working Tax Credit with 'disability' or 'severe disability' elements (paid when you are on benefits such as Personal Independence Payment, Disability Living Allowance, Attendance Allowance) <u>and</u> you have obtained an NHS Tax Credit Exemption Certificate

- **and** your annual taxable income is £15,276 or less.

You may qualify for <u>partial</u> help with health costs (except prescriptions) if your income is low – seek advice.

You may get free school meals if you get Child Tax Credit only (or you get Working Tax Credit as well but it is in its last four weeks of payment because your working hours have reduced) and your annual taxable income is £16,190 or less.


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**If you wish to challenge a Tax Credits decision**

For details of how to challenge Tax Credit decisions, including overpayments and penalties, see our leaflet 'Tax Credit problems and challenging decisions'.

Additional information can be found on our website, visit www.derbyshire.gov.uk/welfarebenefits

**To keep up-to-date with benefit changes in Derbyshire go to www.derbyshire.gov.uk\benefitnews**

## Benefits Helpline – 01629 531535 or email welfarebenefits@derbyshire.gov.uk

## Monday, Tuesday, Thursday, Friday

## 11.00am – 4.00pm



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