



A tax credit guide for self-employed parents

Information for families

UK

Incorporating **The Lady Hoare Trust**

Introduction

The rules for getting tax credits are very complicated, perhaps more so if you are a parent of a disabled child. And certainly if you or your partner happen to be self-employed.

This guide explains everything you need to know about claiming tax credits generally and some particular issues self-employed parents may need to be aware of. Tax credits interact with benefits for families on a low income, and you can find out more about this towards the end of the guide. For individual advice, ring our freephone helpline and we will arrange for a specialist adviser to talk to you.

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What are tax credits?

Many self-employed people are able to claim extra financial help in the form of tax credits. There are two tax credits offering financial support for families – Working Tax Credit and Child Tax Credit.

Working Tax Credit can be claimed by anyone who is responsible for a child and who works (including self-employment) for at least 16 hours a week. Certain other self-employed people who don't have children can also apply.

Child Tax Credit can be claimed by families with children regardless of whether you work or not.

These credits are administered by Her Majesty's Revenue and Customs (referred to here as the Revenue) and, depending on your circumstances, it is possible to qualify for either or both. Although tax credits are income based you should not assume that you have too much money to qualify.

You are guaranteed some Child Tax Credit so long as your income is less than £58,000 (£66,000 if you have a baby under one). In some circumstances (for example, if you have more than one child on Disability Living Allowance (DLA) and have substantial eligible childcare costs), you may get some tax credits even if your income is above these figures.

This guide is intended as a general guide for families who are looking after a child with a disability where a parent is self-employed. It includes ready-reckoner tables to give you an indication



of how much tax credit a family in your circumstances should receive.

If you would like a full breakdown of your likely entitlement, or require any further information on tax credits, please call our free helpline. We employ welfare

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rights specialists who are able to provide detailed advice on any aspect of a tax credit claim.

Who is included in my claim?

Couples must make a joint claim. This includes couples living with a same sex partner. You can claim for:

- a child who normally lives with you, up until the September after their 16th birthday
- a young person up until the age of 19 where they are on a full-time course of non-advanced education or unwaged work-based training
- this can be extended up to the young person's 20th birthday, so long as they are completing a course of education or training that they started, or were accepted on to, before turning 19.

If a young person starts to claim certain benefits in their own right (such as Income Support, income-based Jobseeker's Allowance, Employment and



Support Allowance or Incapacity Benefit) this will mean that you can no longer receive tax credits for them.

Can I claim Working Tax Credit?

In order to claim Working Tax Credit you must be:

- aged 16 years or over, and
- living in the UK and not subject to immigration control (with some exceptions), and
- be responsible for at least one child and also be treated as working 16 hours or more a week.

You are treated as working for the number of hours you 'normally perform for payment or in expectation of payment'. This includes both work done and billed to the customer, and the time spent on 'activities necessary to your employment'. This might include:

- trips to wholesalers
- visits to potential clients
- time spent cleaning the business premises or cleaning a vehicle used as part of the business
- time spent advertising
- canvassing, or
- book-keeping.

The work you do must be 'in expectation of payment'. This means more than a mere hope that payment will be made at a future date. There should be a probability rather than just a possibility that a payment will be made.

If you reasonably expect payment for work done, but the customer does not pay, then the condition is satisfied. However, if you knew before starting the work that payment was unlikely to be made, you will struggle to meet this condition.

Some self-employed people work irregular hours, which vary from week to week. In these cases the Revenue will ask:

- you for details of all the hours you have been working in order to try and assess what your 'normal' weekly hours are
- if you have stopped working because you are taking leave due to maternity, paternity, adoption or because you are ill or incapable of work, you may still be treated as working for more than 16 hours per week for a temporary period of leave. If you stop working or reduce your hours to below 16 hours, you can continue to receive Working Tax Credit for 4 weeks. However you must tell the Revenue about this change in circumstances within one month. Contact the helpline for further details.

Please note some self-employed people without children (for example, self-employed people with disabilities) are also able to claim Working Tax Credit. If you do not care for a child you should seek advice from a local citizens advice bureau (CAB) or welfare rights service.

Extra money in Working Tax Credit for childcare costs

If you spend money on childcare when you work, your claim for Working Tax Credit may include help with 'eligible childcare costs'. In order for your childcare costs to be taken into account you must be either:

- a lone parent who works at least 16 hours per week, or
- a couple who both work 16 hours or more per week, or
- a couple where one member works 16 hours or more per week and the other receives certain disability/incapacity benefits (or they are in hospital or prison).

What type of childcare can be taken in to account?

Only registered or approved childcare can be taken into account. This includes registered childminders, nurseries and other schemes run by approved providers. Care in the child's own home can also be counted if it is provided by someone who is registered or approved. Childcare provided by a relative in the child's home is not counted – even if that relative is an approved childcarer.

If a child is on DLA or is registered blind, childcare costs can be included until

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the September after their 16th birthday. Otherwise, childcare costs can only be included until the September after their 15th birthday.

The amount of childcare costs that can be included

The maximum amount of childcare that can be taken into account is £175 per week for one child, and £300 per week for two or more children. Only 80 per cent of childcare costs can be met.

This means that the most that can actually be included towards childcare costs is £140 per week (80 per cent of £175) for one child, and £240 per week (80 per cent of £300) for two or more children. Our guide on 'Finding and paying for childcare' is available free for parents from the helpline.

There are proposals to trial an increase in the maximum amount of childcare costs met by tax credits for working families with disabled children in London. Contact our helpline for up to date information on this pilot scheme.

Can I claim Child Tax Credit?

In order to claim Child Tax Credit you must be:

- aged 16 years or over, and
- living in the UK and not subject to immigration control (with some exceptions) and have the right to remain in the UK, and
- responsible for one or more dependent children.

Child Tax Credit can be claimed regardless of whether you are working or not and is paid in addition to Child Benefit. The amount of Child Tax Credit that you receive may be higher if you have a child on DLA. This is because an extra amount, known as the 'disability element', is added to your tax credit calculation for each child who is on DLA or registered blind.

If your child gets the highest rate of the DLA care component a further 'severe disability element' is added. Child Tax Credit can either be paid by itself or alongside Working Tax Credit.

How are tax credits paid?

Working Tax Credit (except for any childcare element) is paid to the parent who is working. Child Tax Credit and any Working Tax Credit towards childcare costs are paid to the child's main carer. Payments are usually by direct transfer into a bank account. You can choose weekly or four-weekly payments.

Calculating my tax credit award

The amount of tax credit that you receive depends on your family's personal circumstances and on your gross annual income.

The personal circumstances that are taken into account are:

for Working Tax Credit

- whether or not you are a lone parent or a member of a couple

- whether you work 30 hours or more a week (it is usually possible to add you and your partner's hours together)
- whether you have a disability
- whether you or your partner get the high rate DLA care component
- whether you have eligible childcare costs
- whether you are aged 50 or over and have recently been on certain benefits.

for Child Tax Credit

- the number of dependent children you have
- whether you have a baby aged under one
- the number of children who get any rate of DLA or are registered blind
- the number of children who get the high rate DLA care component.

How income affects a tax credits award

Your entitlement to tax credits will also depend on your annual taxable income. If you are a member of a couple then your partner's income is also counted. A dependent child's income is never taken into account.

Your tax credit award is usually assessed on your income from the previous tax year. This means that if your annual income increases it will normally have no effect on your tax credit award until the beginning of the new tax year. The only exception to this is if your current year's income is likely to exceed your previous year's income by more than £25,000. In such circumstances the current year's



estimated income minus £25,000 is used.

Because of this £25,000 disregard, your profits can rise substantially without affecting your current tax credit award. However you need to remember that the following year's tax credit award will be affected and could fall. You should try and budget accordingly.

What if I expect my current year's income to be lower than last year?

Where you expect a drop in your annual income, your tax credit award can be based on an estimate of your likely current year's income rather than on the previous year's income. However, please

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bear in mind that your tax credit award is initially provisional. At the end of the tax year, once you have provided details of your actual income, the Revenue will then finalise your award for the year (see 'At the end of the tax year' on page 17).

If they have paid you too little they will owe you arrears, or if they have paid you too much they are likely to recover the overpayment. With this in mind it is important to provide as accurate an estimate of your current year's income as you can. If you want to minimise the risk of an overpayment it is advisable to provide a slightly higher figure than what you actually expect to receive.

Even if you think that your income is too high to get tax credits it is still worthwhile making a claim. This will protect your right to backdating of tax credits if you

have an unexpected reduction in income later in the year. Tax credit claims can only usually be backdated for three months, so making a protective claim at the beginning of the year will make sure that you do not lose out if your income unexpectedly drops later.

How do I calculate my annual income for tax credit purposes?

As a general rule income that is taxable is taken into account. If you have a spouse/partner remember to include their income.

Step one

Add together:

- pension income
- investment income (for example, taxable income from savings and shares)
- property income (rental from a property where this is not conducted as part of a business. If you do rent property as part of a business then this is treated as trading income from self-employment instead)
- income from abroad
- notional income (income you are treated as having by the Revenue. For instance this may apply where you have deprived yourself of income in order to claim more tax credit, or where you have reduced or waived earnings and the person receiving the service could have afforded to pay the full rate).





If the total is £300 or less, ignore it. If it is more, deduct the first £300.

Step two

Add together:

- any gross earnings (that is, if you or your spouse/partner have any earnings as an employee)
- taxable social security income (some benefits such as Carer's Allowance are taxable)
- student income
- miscellaneous taxable income.

Step three

Add together the amounts from steps one and two.

Step four

Work out your taxable profits from self-employment. Add this figure to the amount in step three. If you have a loss, subtract it from the figure in step three.

Finally deduct any:

- bank conversion charges/commission on any income you have received in other currencies
- gross gift aid, payroll giving or give-as-you-earn donations in the current year
- gross pension contributions.

How do I work out my taxable profits?

This is the amount of profit for the tax year once allowable expenses have been deducted from annual turnover. If you are a partner in a business, then it is your taxable profit from your share of the business that is counted. Taxable profits are calculated in much the same way as they are for income tax purposes, with

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Accounting periods and assessing taxable profits for tax credits

Tax credits are awarded for the tax year April to April but some businesses have accounting periods which are not in line with the tax year. In calculating earnings from self-employment, 'previous year's income' actually means 'taxable profits in the accounting period that ends before the beginning of this tax year'. 'Current year's income' means the taxable profits in the accounting period which ends during this tax year.

If your accounting period ends between 31 March and 5 April, then it will correspond to the tax year. However, if your accounting period ends earlier in the tax year then working out the correct annual income will be slightly more complex.

For example, if your accounting period ends on 31 July, then, for a tax credit award covering April 2009-April 2010, your previous year's income will be based on the accounting period August 2007-July 2008 (the accounting period ending in the year before April 2009). Current year's income will be based on the accounting period August 2008-July 2009 (the accounting period that ends within the year April 2009-April 2010).

If you have an accounting period that ends early in the tax year, problems can emerge if your income from

self-employment suddenly drops unexpectedly. In such circumstances it is possible to experience reduced income from your business alongside low tax credit entitlement and high tax bills.

Example

Ms Khan runs her own business and has an accounting period that ends on the 31 July. She claims tax credits, and for the year April 2009-April 2010 her award is based on her previous year's income – which means the accounting period August 2007-July 2008. In late 2009, Ms Khan's business loses a major contract and her profits fall substantially.

If Ms Khan asks for her award to be based on an estimate of her current year's income instead, this will not help. This is because her current year's income is actually based on the accounting period August 2008-July 2009. Since the drop in Ms Khan's income occurred after July 2008, it cannot be taken into account in assessing her tax credit award for April 2009-April 2010.

It is possible to switch your accounting year end to between 31 March and 5 April. However, you should speak to your accountant about this in more detail since making such a switch can take a number of years. Also, there may be other reasons why a specific accounting period is particularly suitable to your business. If you do not have an accountant you can seek advice from your local tax office.

the exception that there are no special rules allowing creative artists, farmers and market gardeners to average profits over two years.

Your taxable profit is shown on your tax return for the relevant year. If you have not yet submitted a tax return, the notes accompanying the tax credit claim form downloadable at <http://tinyurl.com/63jl8h> explain how to work out your taxable profit.

Please note that your taxable profit is unlikely to be the same as your accounting profit. This is because not all expenses are allowed by the Revenue as tax deductible, even where they are valid for accounting purposes.

More detailed advice on calculating taxable profits is available from the Revenue's Self-Assessment Helpline on Tel: 0845 9000 444.

Trading loss

If your business has made a loss then your income for the tax year is nil, unless you have other income taken into account for that year. If you do have other assessable income, deduct the trading loss from that other income. If you do not have enough other income to offset the whole amount of any loss, any loss left over can be carried forward and deducted from profits of the same trade in future years.

Working out your taxable income for the previous and current years should be relatively straightforward so long as your accounting period ends between

31 March and 5 April. However, if your accounting period ends on a different date, you need to make sure that you base your annual income on the correct accounting period (see page 10).

What income is ignored?

Some income is completely ignored for tax credits purposes. This includes:

- maintenance payments
- most forms of student income
- adoption/fostering payments (but not any reward element)
- Disability Living Allowance
- Attendance Allowance
- Child Benefit
- Guardian's Allowance
- Income Support
- Income-based Jobseeker's Allowance
- Income-related Employment and Support Allowance
- Bereavement Payment
- Maternity Allowance
- the first £100 per week of any Statutory Maternity, Statutory Paternity or Statutory Adoption Pay
- Severe Disablement Allowance
- short-term lower rate Incapacity Benefit
- transitional long-term Incapacity Benefit (that is, in payment since before 13 April 1995)
- Industrial Injuries Benefit
- rental income from a property under the rent-a-room scheme (this allows you to rent furnished accommodation

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in your home and to earn up to £4,250 per annum tax free).

This list is not exhaustive – some other forms of income are also ignored.

What if I have a lot of capital or savings?

There is no capital limit preventing a claim for tax credits. Instead, any taxable income you receive from your capital is counted, for example interest on your savings (unless this is in a tax free savings account such as an ISA).

How much tax credit will I get?

The Revenue uses your family's circumstances to work out a 'maximum tax credits entitlement'. If you get Income Support, income-based Jobseeker's Allowance, income-related Employment and Support Allowance or Pension Credit you are automatically entitled to maximum Child Tax Credit. Otherwise you need to compare your annual taxable income to a set threshold. This is £16,040 if you are only eligible for Child Tax Credit and £6,420 if you are also eligible for Working Tax Credit (that is, you or your partner work 16 hours per week or more).

If your income is at or below the threshold you will receive the maximum tax credits award for your circumstances. If your annual taxable income is higher than the relevant threshold the award will be reduced – for every £1 of income you have above the threshold, your maximum

tax credits entitlement is reduced by 39p. However, you are guaranteed at least £545 per year so long as your annual taxable income is less than £50,000. This payment is known as the family element of Child Tax Credit. If your income exceeds £50,000 a year, the family element is gradually reduced.

Using the tables to calculate your award

The following pages include a number of ready-reckoner tables to help you estimate the amount of tax credit you might be entitled to. Although tax credits are usually calculated as an annual award, the tables show the weekly equivalents.

Table notes

***Table 1 note:**

If you have a baby aged under one year, you may qualify to receive higher payments.

If you have a child in receipt of the high rate of DLA care component, you may qualify for higher payments.

****Table 2,3,4,5 and 6 notes:**

These tables assume that families with incomes of £10,000 and above are working for 30 hours a week or more.

Higher payments may be made to families with a disabled worker, with a baby aged under one year, with a family member on the high rate of DLA care component, or with someone aged 50 or over returning to work after a period on certain benefits.

Table 1: eligible for child tax credit only*

Annual gross taxable income	Family with one child who is disabled (£) weekly	Family with two children, one is disabled (£) weekly	Family with two children, both are disabled (£) weekly	Family with three children, one is disabled (£) weekly	Family with three children, two are disabled (£) weekly
£16,040 and under	104	147	199	190	242
£20,000	75	118	169	161	212
£25,000	37	80	131	123	174
£30,000	10	43	94	86	137
£35,000	10	10	56	48	99
£40,000	10	10	19	11	62
£45,000	10	10	10	10	24
£50,000	10	10	10	10	10
£55,000	4	4	4	4	4

Table 2: working family with one child, that child being disabled**

Annual gross taxable income	No eligible childcare costs (£) weekly	Includes maximum childcare costs (£) weekly
£6,420 or under	176	316
£10,000	164	304
£15,000	127	267
£20,000	89	229
£25,000	52	192
£30,000	15	155
£35,000	10	117
£40,000	10	79
£45,000	10	42
£50,000	10	10
£55,000	4	4

Table 3: working family with two children, one of whom is disabled**

Annual gross taxable income	No eligible childcare costs (£) weekly	Includes maximum childcare for one child (£) weekly	Includes maximum childcare for two or more children (£) weekly
£6,420 or under	220	360	460
£10,000	207	347	447
£15,000	170	310	410
£20,000	132	272	372
£25,000	95	235	335
£30,000	57	197	297
£35,000	20	160	260
£40,000	10	123	223
£45,000	10	85	185
£50,000	10	47	147
£55,000	4	4	110

Table 4: working family with two children, both of whom are disabled**

Annual gross taxable income	No eligible childcare costs (£) weekly	Includes maximum childcare for one child (£) weekly	Includes maximum childcare for two or more children (£) weekly
£6,420 or under	271	411	511
£10,000	259	399	499
£15,000	221	361	461
£20,000	184	324	424
£25,000	146	286	386
£30,000	109	249	349
£35,000	71	211	311
£40,000	34	174	274
£45,000	10	136	236
£50,000	10	99	199
£55,000	4	61	161

Table 5: working family with three children, one of whom is disabled**

Annual gross taxable income	No eligible childcare costs (£) weekly	Includes maximum childcare for one child (£) weekly	Includes maximum childcare for two or more children (£) weekly
£6,420 or under	262	402	502
£10,000	250	390	490
£15,000	213	353	453
£20,000	175	315	415
£25,000	138	278	378
£30,000	100	240	340
£35,000	63	203	303
£40,000	26	166	266
£45,000	10	128	228
£50,000	10	90	190
£55,000	4	53	153

Table 6: working family with three children, two of whom are disabled**

Annual gross taxable income	No eligible childcare costs (£) weekly	Includes maximum childcare for one child (£) weekly	Includes maximum childcare for two or more children (£) weekly
£6,420 or under	314	454	554
£10,000	302	442	542
£15,000	264	404	504
£20,000	227	367	467
£25,000	189	329	429
£30,000	152	292	392
£35,000	114	254	354
£40,000	77	217	317
£45,000	39	179	279
£50,000	10	142	242
£55,000	4	104	204

All amounts are rounded down to the nearest pound.

If neither you nor your partner work for at least 16 hours a week, use Table 1

There are separate columns depending on the number of children you have and how many of them are disabled. A child is classed as disabled if they are registered blind or if they are in receipt of DLA at any rate. Use the appropriate column to get an idea of how much tax credits a family in your circumstances might receive (remember, the weekly amount is given in the tables).

If either you or your partner do work for at least 16 hours a week, the table you should turn to depends on the number of children in your family and how many of them are disabled.

A child is classed as disabled if they are registered blind or they are in receipt of DLA.

- if you have one child and that child is disabled use Table 2
- if you have two children and one of them is disabled use Table 3
- if you have two children and both of them are disabled use Table 4
- if you have three children and one of them is disabled use Table 5
- if you have three children and two of them are disabled use Table 6.

Using the tables if you have eligible childcare costs

The amount of tax credits you receive may be higher if you are paying for eligible childcare. Tables 2-6 have extra columns showing the tax credits award

parents might receive where they are paying the maximum amounts towards eligible childcare. See the earlier section on 'Extra money in Working Tax Credit for childcare costs' for details on when childcare is counted. Help with childcare costs is not possible if you are only eligible for Child Tax Credit.

How do I claim tax credits?

Child Tax Credit and Working Tax Credit are administered by the Revenue and both are claimed on application form TC600. This is available from your local Revenue office or via the Tax Credits Helpline:
Tel: 0845 300 3900
Textphone: 0845 300 3909.

Claims can also normally be made via the Revenue's website, but this facility has been suspended at the time of writing.

Backdating tax credits

Claims can be backdated up to three months. At the time of writing, the claim form does not have a section inviting you to ask for backdating. If you want to request this you should either attach a written backdating request to your claim pack or telephone the Tax Credits Office.

Getting a decision on your claim

Once the Revenue has processed your claim they should send you an award notice. This will outline not only the amount of tax credits that you are being paid but also the family circumstances on which your award was based (for

example, your annual taxable income, the total number of dependent children you have, and the number of children classed as disabled).

It is important that you check this information to make sure that it is accurate. If it is not, then it could lead to either an underpayment or overpayment of tax credits.

At the end of the tax year

Once awarded, tax credits normally last until the end of the tax year. The Revenue then carry out an annual review. They issue you with a review pack outlining the personal details used to calculate your existing award, which you must check for accuracy. You will be asked to complete a declaration form, confirming or amending your details and also confirming your annual taxable income for the year that's just ended.

People who only receive the basic family element of Child Tax Credit may not have to complete a declaration form. If your personal details remain unchanged and your income is within certain bands outlined in the review pack, an award of the family element should continue automatically. Your review pack should make clear if this applies to you.

However, if there have been any relevant changes in your circumstances you must notify the Tax Credits Office. All other families must complete the declaration form.



Once the Tax Credits Office receives your completed declaration form they will use this information to help calculate your tax credits award for the new tax year. They will also use these details to check whether you have received the correct amount of tax credits in the year just past.

If you have been underpaid tax credits you should receive a lump sum for any arrears.

If you have been overpaid tax credits, the Revenue may seek to recover the excess paid – usually by reducing your award for the new tax year (see the section on 'What happens if I have been overpaid tax credits').

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You must respond to the Tax Credits Office by the 31 July (unless the form is sent to you after 1 July in which case you get 30 days to reply). If you cannot supply definite details of your taxable income for the year by that date, for example because your accounts have not been finalised, then you must provide an estimated figure instead. This estimated figure will then be used to calculate a provisional award for the new tax year.

You will then need to confirm your actual taxable income by the end of January (in other words, the same deadline for filing your tax self-assessment).

What happens if I am late in returning my tax credit declaration?

If you fail to return your tax credit declaration by 31 July, your tax credit payments will stop. You will then be given an extra 30 days to return the declaration. So long as you do so your claim will be restored. However, if you miss this deadline the Revenue will also seek to recover any payments you have received since the beginning of that new tax year.

If you return your declaration after the deadline, the Tax Credits Office may agree to backdate your award in full. However, they will only do this if you can show good cause for not returning the papers in time and you respond before the end of January.

If you miss the January deadline or you cannot establish good cause you will need to make a fresh claim for tax credits. This will only be backdated

for a maximum of three months. Consequently, any provisional payments that you received between the start of the tax year and your new claim starting will have to be repaid.

In addition to losing out on tax credits, failing to renew your claim in time can also attract a penalty. The Revenue can charge a penalty of up to £300 for failure to submit an annual declaration, plus up to £60 per day if the failure continues after the initial penalty is imposed. These are not automatic penalties, and will not be charged if the person had a reasonable excuse for the delay and renewed as soon as possible.

There is also a £3,000 maximum penalty for fraudulently or negligently making an incorrect statement in response to an end of year notice.

What if my circumstances change during the tax year?

Although a tax credit award will normally run until the end of the tax year, it can be adjusted during the year if there is a relevant change of circumstances. Certain changes must be reported to the Tax Credits Office within one month or you will face a £300 penalty.

These are:

- a change in the number of adults claiming (for example, going from a couple to a lone parent or vice versa)
- a reduction in average childcare costs

by £10 or more for at least four weeks in a row

- if you go abroad for more than eight weeks (12 weeks if you go abroad due to an illness or bereavement)
- if you stop working for at least 16 hours a week
- if your working hours drop from 30 hours or above to below 30 hours
- if you stop being responsible for a dependent child or young person, for example if they are no longer normally living with you
- if a young person in your family ceases to qualify for support via tax credits. For instance this might happen because a young person leaves full-time non-advanced education or because they start claiming Employment and Support Allowance, Incapacity Benefit or Income Support in their own right
- if a dependent child or young person dies.

Other changes in your circumstances do not have to be reported until the end of the year. However, it may be in your interests to report some changes sooner.

Avoiding overpayments and underpayments

If a change in circumstances reduces your tax credits award, that reduction is always backdated in full and you will have been overpaid. If a change will lead to an increase in your award then you may miss out on money if you don't tell them within three months.

If you would like to avoid overpayments or underpayments you should inform the Tax Credits Office of any relevant changes

in circumstances as they happen. The earlier section headed 'Calculating my tax credits award' (page 6) gives a brief overview of the kinds of circumstances that affect your award.

Starting to get DLA for the first time or an increase in DLA

Although there is a general rule limiting backdating to three months there are some exceptions. If your child is awarded DLA, or has an existing DLA award increased to the high rate for personal care, this can lead to extra Child Tax Credit payments.

So long as you notify the Tax Credits Office within three months of getting the DLA decision, any extra tax credits will be backdated in line with the DLA award. You should take similar steps if you or your partner have health problems and get DLA in your own right.

Changes in income

If you have a change in income, you can choose to tell the Revenue straightaway or leave it until the end of the tax year. However, if you wish to avoid overpayments or underpayments of tax credits, it is in your interests to report significant increases or drops in income as they happen.

Freephone helpline: **0808 808 3555**
Web: **www.cafamily.org.uk**

What happens if I have been overpaid tax credits?

If you have been overpaid tax credits, the Revenue will normally try to recover the overpayment by reducing your tax credit payments.

The Revenue should not recover an overpayment that is a result of official error so long as you have met all of your responsibilities as a claimant. Your responsibilities include providing accurate and up-to-date information, notifying them of any changes of circumstances, checking both the information in your award notice and the payments made into your bank account to make sure they are correct, reporting any errors within one month and contacting the Revenue if you do not understand your award notice.

If an overpayment was caused by an official error and you met all of your responsibilities, none of it should be recovered. If it was caused by official error but you also failed to meet any of your responsibilities, the Revenue may still agree to write off part of the overpayment. The Revenue also have the discretion not to recover an overpayment if you can show that this will cause you hardship.

Seek further advice from our helpline if you are told by the Revenue that you have been overpaid or that you are likely to be overpaid. If you dispute that an overpayment has happened, or dispute the amount of the overpayment, you can appeal (see below).

If you accept that you have been overpaid, you cannot appeal against the Revenue's decision to claim back the overpaid money. Instead, you must 'challenge' their right to recover the money by completing Form TC846. This is available from the Tax Credit Helpline or at www.hmrc.gov.uk/forms/tc846.pdf

If they subsequently insist on recovery you can challenge this further through the Revenue's complaints procedure. If you are disputing the recovery of an overpayment on the basis of official error, the Revenue should suspend further deductions until they have made a decision on your case. For more information about tax credit overpayments phone our helpline.

How can I appeal a tax credit decision?

The Revenue can revise a decision (look at it again) if there is a change of circumstances, if they have made a mistake, or if they think that your award is wrong. If you disagree with a Revenue decision you can appeal.

The time limit for appealing is 30 days from the date of the decision. An appeal must be in writing and must give the reasons you are appealing. Appeals can be made on form TC623, found at the end of leaflet WTC/AP available from the Revenue.

Unless you are reporting a change of circumstances it is usually better to request an appeal rather than a revision. The reason for this is that the appeal deadline of 30 days is not extended if you ask for a revision and this is turned down.

Late appeals are sometimes possible up to one year and 30 days after a decision. However, a late appeal is only granted in limited circumstances, so you should always try and ensure you meet the normal appeal deadline.

Tax credits and other help for families on low incomes

For detailed advice on how a tax credit claim will affect any of the benefits you get now, please call our free helpline.

Income Support and income-based Jobseeker's Allowance

Child Tax Credit replaces any payments for children made as part of your Income Support or income-based Jobseeker's Allowance.

In addition any Working Tax Credit that you receive is treated as income and deducted from your Income Support entitlement. In some cases claiming tax credits can lead to an Income Support award stopping – contact the helpline if you want to know how a claim for tax credits will impact on your current benefits.

Housing Benefit and Council Tax Benefit

Ongoing payments of tax credits are counted as income when calculating rent and Council Tax rebates (unless you are over 60, in which case Child Tax Credit payments are ignored). However, payments for arrears of tax credits are often not counted. Contact our helpline for further advice.

Health benefits

You can get full help with health costs if your annual taxable income is less than a fixed threshold and you get:

- Working Tax Credit and Child Tax Credit, or
- Working Tax Credit with a disability element, or
- Child Tax Credit and you are not eligible for Working Tax Credit.

The annual threshold is currently £15,276.

Vouchers for free milk, fruit and vegetables

If you are pregnant or have a child under four, receive Child Tax Credit (but not Working Tax Credit) and have an annual taxable income of less than £16,040, you should qualify for vouchers which you can then use towards milk, fresh fruit and vegetables. You may also be able to access free vitamin supplements. This help is provided by the Healthy Start Scheme and more information is available from the Healthy Start Helpline, Tel: 0845 607 6823 or via their website, www.healthystart.nhs.uk

Free school meals

You will be able to get free school meals if your annual taxable income is less than £16,040, you are entitled to Child Tax Credit and neither you nor your partner are working 16 hours or more per week.

Freephone helpline: **0808 808 3555**
Web: **www.cafamily.org.uk**

Sure Start Maternity Grant and Funeral Grants

You may be able to claim these if you get:

- Working Tax Credit with the disability or severe disability element
- Child Tax Credit at a rate higher than the basic 'family element'.

Contacts for further information and advice

If you would like further advice regarding tax credits or other social security benefits please call the Contact a Family helpline:

Tel: 0808 808 3555 (Mon-Fri
10am-4pm; Mon 5.30-7.30pm)
e-mail: helpline@cafamily.org.uk

Contact a Family employ welfare rights specialists who are able to give detailed advice about any aspect of claiming tax credits. This guide is one of a range produced by Contact a Family which includes 'Benefits, tax credits and other financial help' and 'Working'. For copies, and to find out about other parent guides, call the Contact a Family helpline.

Advice over the telephone is also available from CarersLine:

Tel: 0808 808 7777 (Wed & Thurs
10am-12pm & 2-4pm).

If you would prefer to speak to someone face-to-face then you should try contacting your local Citizen's Advice Bureau or a welfare rights project.

You can contact Her Majesty's Revenue and Customs Tax Credits Helpline:
Tel: 0845 300 3900
Textphone: 0845 300 3909
Lines are open from Mon-Sun, 8am-8pm.

Written by Derek Sinclair

Contact a Family thanks Her Majesty's Revenue and Customs for their financial assistance in producing this guide.

This information applies to tax credits, claims and rules for the tax year April 2009 – March 2010.

Social networking

Contact a Family is on Facebook and Twitter. Join us at:

Facebook

www.facebook.com/contactafamily

Twitter

twitter.com/contactafamily

Podcasts

You can download podcasts from our website at: www.cafamily.org.uk/news/podcasts.html

iTunes users can listen to our podcasts at: <http://bit.ly/96EVT>

Videos

You can watch videos on our YouTube channel at: www.youtube.com/cafamily

Freephone helpline: **0808 808 3555**
Web: **www.cafamily.org.uk**

Getting in contact with us

Free helpline for parents and families

0808 808 3555

Textphone

0808 808 3556

Open Mon–Fri, 10am–4pm;

Mon, 5.30–7.30pm

Access to over 100 languages

www.cafamily.org.uk
www.makingcontact.org

Contact a Family Head Office:

209-211 City Road, London EC1V 1JN

Tel **020 7608 8700**

Fax **020 7608 8701**

Email **info@cafamily.org.uk**

Web **www.cafamily.org.uk**



Other information booklets available

This guide is one of a series produced for parents and groups concerned with the care of disabled children. A full list of Contact a Family publications is available on request or can be downloaded from our website www.cafamily.org.uk

- A guide to claiming Disability Living Allowance for children (UK)
- Aids, equipment and adaptations (UK)
- The tax credits guide (UK)
- Working and caring for a disabled child (UK)
- Disabled children's services in England and Wales (England & Wales)
- Getting direct payments for your disabled child (England & Wales)



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