



Tax credits penalties

What happens at the end of a tax credits check

This factsheet tells you about the penalties we may impose if you have failed to comply with requirements or acted fraudulently or negligently in connection with your claim. It also explains how to ask for a reconsideration if you disagree with those penalties.

Introduction

When you claim Child Tax Credit or Working Tax Credit you're responsible for making sure that the information on your claim is right.

This factsheet is for anyone who may be charged a penalty after we've made a check on their tax credits claim. It doesn't tell you everything about penalties, but it does tell you what's likely to happen and what you can do if we charge you a penalty.

Information about how and why we carry out tax credits checks is in factsheets WTC/FS1, 'Tax credits enquiry' and WTC/FS2, 'Tax credits examinations'. We normally give these to customers when we start a check.

 You can also get a copy online, go to GOV.UK and search for WTC/FS1 or WTC/FS2.

Why we charge penalties

We charge penalties to:

- encourage people to be careful and make sure their claims are right in the future
- stop customers from giving us wrong information in the future
- penalise people who try to defraud the system

Your penalty

We can charge you a penalty of up to £3,000 if you deliberately or negligently gave the wrong information:

- on your claim
- when telling us about a change of circumstances
- when providing information to us as part of our checks

We can also charge you a penalty of up to £300 if you have failed to give us information or tell us about certain changes of circumstances within one month.

We'll explain why we believe you have failed to tell us of a change of circumstances within one month or why we believe you have deliberately declared the wrong information. If you don't accept our explanation, you can ask an independent tribunal to decide.

If we believe you may have committed a criminal offence, we may carry out an investigation and prosecute you. If this happens, we'll not charge you a penalty.

What is deliberate error

Deliberate error is where you deliberately gave the wrong information. This includes claiming for an element of tax credits you're not entitled to or to increase an element by making a false statement about your circumstances. This can include:

- claiming for a fictitious child or children, or the wrong number of children
- claiming for childcare costs when none are paid for
- claiming for childcare costs in excess of what is actually paid where there's clearly no basis for the amount claimed
- claiming for a young person as being in education/training that counts for tax credits when they aren't

Help with tax credits

For more information:

-  go to www.gov.uk/taxcredits
- telephone the Tax Credit Helpline on 0345 300 3900
- textphone the Tax Credit Helpline (for people with hearing or speech difficulties) on 0345 300 3909
- write to us at
Tax Credit Office
PRESTON
PR1 4AT

When you contact us, tell us your:

- full name
- National Insurance number
- daytime phone number

Yr laith Gymraeg

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

Your rights and obligations

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

 For more information, go to www.gov.uk/hmrc/your-charter

Complaints

 For more information about our complaints procedures, go to www.gov.uk/complain-to-hm-revenue-and-customs

We've 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 our helplines for more information.

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- giving us wrong working hours information such as
 - claiming to be working when you're not
 - claiming to be working over 16 or 30 hours when you don't
 - for couples with children, claiming to be working a combined total of 24 hours when you don't work those hours, haven't done so recently and have no intention of doing so
- claiming to be in prison, an inpatient in hospital or incapacitated when you're not
- claiming to be entitled to Carer's Allowance when you're not
- claiming for the disability element with no basis to support such a claim
- understating your income where there was no basis for the amount of income declared
- failing to tell us about a source of income
- claiming as a single person when a partner is present and it's clear a joint claim should have been made
- making any other wrong declarations where the information concerns your own circumstances which you can be reasonably expected to know

Couples

If you have made a joint claim with your partner, you're both responsible for the information you provide in your claim.

We may charge you a penalty as a couple where either of you could have:

- told us about any change in circumstances
- given us new information

If the information relates to one member of a couple and their partner couldn't reasonably have known it was wrong, we'll only charge a penalty to the partner who knew it wasn't right.

The maximum penalty for a joint claim is no more than the maximum penalty for an individual claim.

The amount of your penalty

The maximum penalty for failing to notify a change of circumstance within one month is £300.

The maximum penalty for failing to declare circumstances or income when requested to do so in an annual review or failing to comply with a request for information is £300, but we have to ask an independent tribunal to impose this penalty. If this failure continues, we may charge a penalty not exceeding £60 per day.

For deliberate and wrong new claims the penalty levels are:

- £600 for a first wrong new claim
- £1,000 for a second wrong new claim
- £1,500 for a third and subsequent wrong new claim

For a deliberate and wrong declaration when reporting any other information, the penalty levels are for a:

- first wrong declaration, 30% of the over-claimed tax credits up to a maximum of £3,000
- second wrong declaration, 50% of the over-claimed tax credits up to a maximum of £3,000
- third or subsequent wrong declaration, 100% of the over-claimed tax credits up to a maximum of £3,000

If you don't understand our explanation of the penalty, you can ask us to put it in writing so that you can seek independent advice.

Interest

We may charge you interest if you pay a penalty late.

We'll contact you if we think that you have become liable to a penalty. We can do this:

- by phone
- in a meeting
- in writing

We'll explain why we're charging you a penalty and tell you both the maximum amount we can charge and the amount of the penalty we propose to charge. We're always willing to discuss with you the amount of the penalty and the reasons for it.

Paying your penalty

We'll discuss the arrangements for payment covering:

- any overpaid tax credits
- the penalty
- any interest due

You can pay by debit card, credit card or Direct Debit using the internet and telephone banking.

 For more information on how to pay, go to www.gov.uk/dealing-with-hmrc/paying-hmrc

Co-operation

The extent to which you co-operate and give us information is entirely up to you. If you're not sure whether to give us the information or if you're reluctant to co-operate, we suggest you get independent advice before deciding what to do.

We may decide to reduce or stop your current tax credits payments based on the information we hold.

A number of independent organisations offer help with tax credits, such as Citizens Advice.

 Go to www.citizensadvice.org.uk or you can find them in 'The Phone Book'.

About our decision

You have the right to ask us to reconsider our decision if we:

- ask you to pay penalties or interest on an overpayment
- change your award

We call this mandatory reconsideration. Our decision notice will tell you how to ask us to reconsider our decision.

Our leaflet WTC/AP, 'What to do if you think your Child Tax Credit or Working Tax Credit is wrong' gives more information about how to ask for a reconsideration.

 Go to GOV.UK and search for WTC/AP. If we charge you a penalty, you'll get a copy of this leaflet with our decision notice.

We won't treat your request to reconsider as non co-operation.

Independent tribunals

If we can't change our decision, you can appeal to an independent tribunal. Details of what you need to do will be given in our Mandatory Reconsideration notice.