



A guide to tax credits

Introduction

This factsheet tells you about the tax credit system. It explains what tax credits are and how they might affect you. It also gives tips on how to claim tax credits using the claim form (TC600) and its accompanying notes.

What are tax credits?

Tax credits give financial help to you if you have dependent children or are in work but on a low income. You must be over age 16 and living in the United Kingdom (or the United Kingdom must be your main home) to get them. The help for children is called child tax credit (CTC) and the help for those in work is called working tax credit (WTC). HM Revenue and Customs (HMRC) are responsible for administering tax credits.

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, for example if you have refugee status or exceptional leave to remain or are a European Economic Area (EEA) national.

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

Present means physically present in UK.

Ordinarily resident is not defined. It is taken to mean the place where you normally live for the time being if there is a degree of continuity about your stay and it can be described as being settled.

The term "right to reside" is not defined but is dependent on your immigration status and nationality. You might have a right to reside under United Kingdom rules, EC law or because you are a British citizen.

How do I claim tax credits?

You claim both CTC and WTC on the same form, TC600, which is 12 pages long and has a 34 page booklet of notes accompanying it. You must read these notes in order to answer the form correctly.

You can get form TC600 from Jobcentre Plus offices and HM Revenue and Customs Enquiry Centres. Alternatively you can telephone 0845 300 3900 (text phone 0845 300 3909) if you live in Great Britain or 0845 603 2000 (textphone 0845 607 6078) if you live in Northern Ireland for a copy of the forms.



If you meet the qualifying conditions, tax credits can be backdated for a maximum of 3 months.

Who can get child tax credit (CTC)?

You can get CTC if you or your partner has a dependent child or young person and you have a low enough income. Partner means that you are either married, have a civil partner or are living with someone as part of a couple. You do not have to be working to get CTC.

Students

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

Young Persons

Your son or daughter is considered to be a child until the first September 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 up to the age of 19 if they continue in full-time non-advanced education. You can also get CTC if they are 19 and have started or enrolled on a course of full-time non-advanced education or approved training which began before they were 19.

The term full time means more than 12 hours a week. Non-advanced education is education up to A level, NVQ level 3 or BTEC standard. Approved training is training on a government supported course for young people such as Entry to Employment or Skillseekers.

Young people continue to count for tax credit purposes for the first 20 weeks after they leave full-time education if they are under the age of 18 and registered for work or training with the Careers Service, Connexions Service, the Department for Education and Skills, or Skillseekers in Scotland.

Young people no longer count for tax credit purposes once they start work or training for which a training allowance is paid or claim income support, income-based jobseeker's allowance, incapacity benefit 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. The amount of CTC you actually receive depends on your income. The elements and the yearly amounts are:

- a family element (£545) - paid to all eligible families;
- a family element baby addition (£545) - paid for the year following a child's birth;
- a child element (£2235) - for each child within the family, including those under one year;



- a disabled child element (£2670) - for each child within the family on disability living allowance (DLA) or who is registered blind;
- a severely disabled child element (£1075) - for each child within the family on the highest rate care component of DLA.

Who can get working tax credit (WTC)?

You can claim working tax credit if you are working (or will be starting work within 7 days of claiming WTC) and on a low enough income and:

- are a lone parent or a member of a couple (married, civil partners or living together as a couple) with a dependent child or young person;
- are working and have a physical or mental disability which puts you at a disadvantage in getting a job;
- satisfy the rules for the New Deal 50+ element (this is paid for one year only);
- do not fit into the above categories but are a worker who is aged 25 or over and working a minimum of 30 hours a week.

You must be aged 16 or over when you claim and, apart from those in the age 25 or over category, you or your partner must be working 16 hours a week or more.

Students

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

How much is WTC?

Like CTC, maximum working tax credit is also calculated using elements and income. The elements and the yearly amounts are:

- a basic element (£1890);
- a couple element (£1860) - if you have a partner. You cannot get this if either you or your partner get the 50+ element (see below), unless either one of you works for at least 30 hours a week, or are responsible for a child or young person, or have a physical or mental disability which puts you at a disadvantage in getting a job;
- a lone parent element (£1860);
- a disabled worker element (£2530) - 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;
- a 30 hour element (£775) - if you or your partner do paid work for 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 for 30 hours between you;



- a severe disability element (£1075) - if you get the higher rate of either disability living allowance care component or attendance allowance. If you have a partner and you both qualify you can get two severe disability elements;
- a 50+ element (if working less than 30 hours = £1300, if working 30+ hours = £1935 - paid for one year if you are fifty or over and have just returned to work after being on benefits. This is more fully explained in the claim form notes;
- a childcare element (80% of maximum eligible childcare costs of £9100 (£175 per week) for one child or £15,600 for more than one child(£300 per week). The highest childcare tax credit you can get is £140 for one child, or £240 for two or more.

What does 'Physical or mental disability which puts you at a disadvantage in getting a job' mean?

This is defined in the "Do you qualify for the disability element of working tax credit " section of the claim form notes, which details the 'disadvantage' test and lists the relevant qualifying benefits. As proof of disability you may be asked to nominate a professional who knows you and can confirm how your disability affects you.

What child care costs count?

You must use registered or approved childcare which may be provided by:

- a childminder, nursery, play scheme or a club that is registered to provide childcare
- someone approved under the home Childcare Approval Schemes in England, Northern Ireland and Wales who provides childcare in your child's home or in domestic premises
- a school, outside school hours and on school premises
- a care worker or nurse from an agency registered for providing care in the home, for example, a domiciliary care worker
- an approved foster carer, but the care must be for a child who is not the carer's foster child

Note: registered childcare means childcare registered by Ofsted in England, a Health and Social Services Board or Trust in Northern Ireland, the Scottish Commission for the Regulation of Care or the Care and Social Services Inspectorate for Wales.

If you are part of a couple you must both be working at least 16 hours a week or one of you working at least 16 hours a week and the other in receipt of a qualifying disability benefit (listed in the claim form notes).

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



Completing the claim form

This form is electronically scanned so you must write clearly and not attach any other documents to it. If you have a partner you have to make a joint claim. It is very important that you fill out all the parts of the form, even if this involves repeating some information - such as when you are required to enter both you and your partner's bank account details.

What other information do I need to send?

When you make your claim you do not have to supply any information with the claim form, but you do need to keep records because HM Revenue and Customs may need to check information with you at a later date. This should include records of childcare payments and your P60. Your gross earnings and any taxable income, including taxable social security benefits will affect the amount of tax credits you get. Normally HM Revenue and Customs will base your tax credits assessment on your income during the last tax year. If your current year income rises by more than £25,000 this will affect your award.

Benefits which are not taxable such as income support, short term lower rate incapacity benefit, disability living allowance, attendance allowance, industrial disablement benefit and severe disablement allowance are ignored.

There are no capital limits but actual income from capital will be taken into account, though the first £300 of income from capital is disregarded. Interest from PEPs, ISAs and TESSAs is disregarded in the main.

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

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 claim CTC or receive payment towards childcare costs these amounts will be paid to the main carer's bank account.

Your Tax Credit Award will usually run for the whole of a tax year if you claim from April. If you claim after April it will run from the date of your claim until the end of the tax year.

What if my circumstances change?

Your tax credits are calculated provisionally at the beginning of your claim with a final decision at the end of the tax year. You do not have to tell the Inland Revenue if your income changes during a tax year but you might wish to do this because there is a risk of an underpayment or overpayment when the tax year ends and the award is compared with your actual income. Any underpayment will then be repaid as a lump sum. Alternatively, if you have been overpaid you will have to pay this money back.



You must report the following changes:

- If you separate from your partner
- If you start to live with a new partner
- If you stop paying child care
- If 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 30 hours a week qualifying rule
- If 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 or remain abroad due to illness, or a member of your family is ill or has died).

What if I disagree with my tax credits decision?

You can check your assessment by asking for a detailed written breakdown. This is supplied on form TC647. If you disagree with the decision you can write or phone to ask HMRC to look at it again. Alternatively you can apply in writing to the address on your decision letter asking for an appeal. You must do this within 30 days of the date of your decision. Requests for an appeal made after the thirty days will not be allowed unless you have a very good reason for not applying earlier.

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 any mistakes made on your claim, any delays, poor or misleading advice by staff or inappropriate staff behaviour.

How will tax credits affect my other benefits?

Child tax credit has replaced dependent child additions for many benefits but if you have been claiming these benefits over a number of years you may still be getting these additions. The new employment and support allowance does not have dependent child additions and so you should claim CTC if you have a child or a qualifying young person living with you.

If you are on means tested benefits such as income support or income-based jobseeker's allowance and are receiving an addition for your children you will eventually lose this. When you do you will receive CTC instead.

If you are on incapacity benefit, carer's allowance, widowed parent's allowance, widowed mother's allowance or retirement pension you will be receiving an addition for a dependent child if you were already receiving the increase before 6 April 2003. In all other cases you should claim CTC for that child.

Any CTC and WTC you receive may also affect your housing benefit and council tax benefit.



A tax credits award may also entitle you to national health benefits such as free prescriptions or dental treatment.

Where can I get more help and information?

Contact DIAL Great Yarmouth on 01493 856900