



# A Tax Credit Guide for HR Personnel

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Tax credits are additional money from the government for people to help with everyday costs. There are two tax credits, **child tax credit** and **working tax credit**. How much people get will depend on their circumstances, and their income.

## Who is Eligible to Claim?

### Who can get child tax credit?

A parent or carer can get child tax credit if they are responsible for children under 16, or children up to the age of 20 doing non-advanced education or certain types of training (for example, A levels and Highers).

Although child tax credit depends on income, a parent will get some money if their taxable income (jointly with their partner, if they live with someone) is below £58,175, or below £66,350 if they have a baby under one.

As long as a parent has joint income of below £50,000, they should get child tax credit of at least £547.50 a year (or double this whilst they have a baby under one). This works out at about £10.50 (or £21) a week. And they may get more than this depending on their income and circumstances (e.g. how many children they have, and whether they get disability benefits for them).

If a parent gets more than £10.50 a week (or £21 if they have a baby under one), this is called getting more than the 'family element'. People in this situation may be entitled to other financial assistance, like the £500 Sure Start Maternity Grant paid by Jobcentre Plus to help with the costs of a new baby. Parents may call 0800 055 6688 for more information.

**For example, Kirsty works 12 hours a week and earns £120 a week. She has two children aged 6 and 9. She doesn't use childcare, and nobody in the family receives disability benefits.**

Kirsty would be entitled to child tax credit of about £90 a week. This is more than the family element of child tax credit, so if Kirsty had another baby, she would be entitled to the maternity grant. Kirsty would also be entitled to free school meals, because of her low income and not working enough hours to get working tax credit. In her current circumstances, she would have to earn more than £17,112 a year to stop getting more than the family element.

Remember that the point at which someone stops getting more than the family element because of their income will be different for different people – it depends on all the circumstances which affect tax credits.

**For example, Parminder and Bob have 3 children aged 2, 5 and 11. Their annual taxable income is £32,000. Bob works full time, and Parminder isn't working at the moment. They don't use childcare and nobody gets any disability benefits.**

Parminder and Bob would get the family element only of child tax credit (£10.50 a week). They would have to have an income of below about £28,880 to get more than the family element.

### Who can get working tax credit?

**A worker with children may be able to get working tax credit if they:**

- are responsible for a child and work at least 16 hours a week (or have a partner who lives with them and works 16 hours a week)

**A worker without children may be entitled if they:**

- are disabled and work at least 16 hours a week. They get disability benefits, or have recently been on benefits for incapacity/disability before going into work.
- are 50 or over, work at least 16 hours a week and were previously on benefits for at least 6 months before going into work.
- are at least 25 years old and work at least 30 hours a week.

Even if a worker meets these conditions, their entitlement to working tax credit will depend on their income. There's no one cut-off point; their circumstances have to be checked to see how much money they can have coming in whilst still getting some working tax credit.

**For example, Kieran is 32 and works 37 hours a week at £5.52 an hour. So, his annual income is about £10,620.**

Kieran is not disabled, and doesn't have any children. He is single. He is entitled to working tax credit of about £17.20 a week. Kieran would stop being entitled to any tax credit at an income of about £12,920.

However, someone who was disabled might be able to earn more before they lost working tax credit.

For example, Polly gets disability living allowance. She works 35 hours a week earning £8 an hour. So, she has an annual income of £14,560. She lives with her partner who is a full-time student with no other income. They don't have any children.

Polly might get working tax credit of about £68 a week. However, she could get more than this, depending on the level of disability living allowance she gets.

Assuming Polly doesn't get the highest level of disability living allowance,

Polly would stop getting tax credits at an income of about £23,625.

## People from abroad

**Someone who has come from another country may not always be able to claim. Whether they can claim will depend on their immigration status, and whether that allows them to claim 'public funds'.**

A colleague who is in the UK on a work permit will not be able to claim tax credits. You could check whether they live with a partner, as the partner may have a different immigration status which allows them to claim, eg they may be a British citizen.

A colleague who has indefinite leave to remain (also called settled status) can claim tax credits. This is because indefinite leave to remain has no conditions attached to it.

A colleague from the European Union will usually be able to claim whilst they are working. The EU now includes the A2 or A8 countries, so members from these countries can also claim if they work.

### A2 countries

*Bulgaria*

*Romania*

### A8 countries

*Czech Republic*

*Estonia*

*Hungary*

*Latvia*

*Lithuania*

*Poland*

*Slovakia*

*Slovenia*

People from A2 countries usually have to have a work authorisation document for the first year of work in the UK, although there are exceptions. Most people from A8 countries have to register their first 12 months of employment.

If a colleague is from outside the EU, they will only be entitled to tax credits if their immigration status allows them to claim. If you are not sure whether a colleague from abroad is able to claim tax credits, tell them to call the Working Families helpline **0800 013 0313**. Alternatively, the Tax Credit helpline **0845 300 3900** or a Citizens Advice Bureau should be able to tell them whether they can claim.

(Remember that it is a criminal offence to advise on immigration issues if you are not qualified, so if a member is not sure about their status or asks you other questions about immigration, you should signpost them to the Office of the Immigration Services Commissioner for a list of advice agencies who can help).

## Students

If somebody is a student this will not stop them from getting tax credits. However, they must meet all the usual conditions for child tax credit and/or working tax credit. Hours of work experience done as a student do not usually count as work for tax credits, but the good news is that most student income is ignored and does not reduce tax credits.

For example, Betty is a student nurse. She receives an NHS bursary. She is a single parent and has 2 children.

Unless Betty has another job as well, she cannot get working tax credit. You can only get working tax credit if you are paid or expect to be paid for work which you do. Betty's bursary is to support her whilst she is studying and is not a payment for the work experience she has to do as part of her course.

Betty will be able to claim child tax credit for her children, and her NHS bursary will be ignored as income, so she should get quite a high award.

Because a student is not treated as working, parents in this situation may not be able to claim help with childcare costs through the working tax credit.

For example, Stephen and Natasha have one child. Stephen works full time.

Natasha is a full-time student and also has a bar job of ten hours a week.

They can claim child tax credit and working tax credit. Natasha's student loan will not affect their tax credit claim. However, they will not be able to claim help with childcare costs through working tax credit, because only one of them works 16 hours or more a week.

## Help with childcare costs

There is part of the working tax credit (called the childcare element) which can help with these costs. A parent may be able to get help with registered or approved childcare for children until the September they are 15 (or the September they are 16, if the child is disabled). To get the help, a parent must also:-

- be a lone parent and work at least 16 hours a week OR
- live with their partner and they both work at least 16 hours a week OR
- live with their partner, one of them works at least 16 hours a week and the other one gets a disability or incapacity benefit.

If you're not sure whether a colleague meets the conditions to get help with childcare costs from working tax credit, tell them to call the Working Families helpline **0800 013 0313** or the Tax Credit helpline **0845 300 3900** for further advice.

Parents don't have to make a separate claim for the childcare element of working tax credit. If they are already claiming tax credits, they simply call the Tax Credit helpline to say that they have started paying for registered or approved childcare, or that they now both work enough hours to qualify.

When reporting childcare costs, parents should only include what they actually pay for, deducting any part of the charges met by childcare vouchers or other deductions from salary, or paid for or refunded by the local education authority. HMRC has guidance on their website to help parents decide whether it is worth using childcare vouchers. The Daycare Trust can also provide information on this.

Because childcare costs can change over the school year, parents should consider whether to report a fixed weekly/monthly charge or an average. If childcare costs change, tax credits will only be affected if the change is at least £10 more or less a week, and lasts for at least four weeks in a row. This means that it's only worth reporting a change to a fixed weekly or monthly charge if it lasts for at least four weeks, for example, in the summer holidays. Parents whose childcare costs increase during other holidays can consider reporting an average figure over the whole of the school year instead.

The maximum help a parent can get from the childcare element is 80 per cent of their childcare costs, and nobody can get more than £140 a week for one child or £240 a week for two or more children. However, many people will get less than this, so parents should not expect to get all their childcare costs covered. They can get an estimate of their tax credit award from the Tax Credit Office. Alternatively they may go to the **Working Families' estimator** to try out different scenarios - [www.workingfamilies.org.uk/asp/calculator](http://www.workingfamilies.org.uk/asp/calculator)

**For example, Ken and his partner Noriko have one child, aged 3. Their childcare costs are £700 a month. Ken works full-time and Noriko works 20 hours a week. In the past tax year Ken earned £25,000 and Noriko earned £8,000. They expect to earn about the same amounts this year. Nobody in the family gets any disability benefits.**

Ken and Noriko will get about £63 a week in tax credits. If they were not using childcare their award would be worth about £10.50 a week. Their childcare costs are £161.54 a week, so although they get more in tax credits as a result of using registered childcare, the extra amount is only about a third of what they have to pay.

In this example, Ken and Noriko would stop getting extra help (ie, their tax credits would go down to £10.50 even though they are using childcare) at a joint income of over £40,000.

Remember, there is no one cut-off point where a parent earns too much for childcare costs to increase their award: it all depends on their circumstances.

## Signpost Where to go to Make a Claim

Your colleague will need to ring the Tax Credit helpline for a claim pack on **0845 300 3900**. There is only one form to fill in for the two tax credits, and they are worked out together.

They'll find it useful to have information about their children (dates of birth, child benefit reference numbers), their employer, any registered childcare costs, and their income (their P60 will have their income from the previous tax year).

## Signpost to Organisations for Specialist Advice

### Overpayments

**The best advice you can give your colleagues is to check their award notices carefully, and make sure payments into their bank accounts match what the award notices say. If there's anything which looks wrong, they should tell the Revenue as soon as possible (and within 30 days of getting the notice).**

You can support colleagues who have overpayments by encouraging them to ask the Tax Credit helpline for an explanation of how the overpayment arose. If they are not happy with having to pay it back, they can ask the helpline for **form TC846** or they can download it from, [www.hmrc.gov.uk/forms/tc846.pdf](http://www.hmrc.gov.uk/forms/tc846.pdf)

This form disputes the recovery of the overpayment, and the claimant won't have to pay any money back whilst the Tax Credit Office are considering the dispute. Colleagues should supply as much detail as they can to show that they gave the Tax Credit Office the right information. The Tax Credit Office is only likely to decide that they don't have to take the money back if they failed in their responsibilities, or, very rarely, where the claimant is in very severe hardship.

If colleagues have been overpaid and want further help, a Citizens Advice Bureau or other provider of face to face legal advice is the best bet. The Working Families helpline can provide general advice, but it is usually difficult to sort out overpayment problems over the telephone.

### Useful contact details

#### **To claim tax credits, report changes of circumstances and get an estimate of a tax credit award:**

HM Revenue & Customs Tax Credit helpline - open daily 8am to 8pm  
0845 300 3900  
[www.hmrc.gov.uk/taxcredits/](http://www.hmrc.gov.uk/taxcredits/)

#### **To get confidential advice about tax credits, changes of circumstances and to check estimates :**

Working Families free phone helpline  
0800 013 0313  
[www.workingfamilies.org.uk](http://www.workingfamilies.org.uk)

#### **To find the nearest Citizens Advice Bureau:**

[www.citizensadvice.org.uk](http://www.citizensadvice.org.uk)  
[www.cas.org.uk](http://www.cas.org.uk) (people living in Scotland)

#### **To find a qualified immigration adviser:**

[www.oisc.gov.uk](http://www.oisc.gov.uk)  
020 7211 1574