

Tax credits are payments from the government. If you are responsible for at least one child or young person who normally lives with you, you may qualify for Child Tax Credit. If you work, but earn low wages, you may qualify for Working Tax Credit.

Are tax credits only available if you have a child?

No, you don't need to have children to qualify. You may also qualify if you are working and earning low pay.

How much do you get?

The amount of tax credits you get depends on:

- your income
- how many children you have living with you
- whether you work - and how many hours you work
- if you pay for childcare
- if you or any child living with you has a disability
- if you are aged 50 plus and are coming off benefits

What are the income limits in order to be able to claim tax credits?

If you only qualify for Child Tax Credit the income limit is £16,040. If your income is more than this, the child element will be reduced. But your income can be up to £50,000 before the family element is reduced.

If you only qualify for Working Tax Credit the income limit is £6,420. If your income is more than this, the amount you get will be reduced.

If you qualify for both tax credits, the income limit for Working Tax Credit stays at £6,420. But the Child Tax Credit income limit becomes a separately calculated amount. However your income can be up to £50,000 before the family element of Child Tax Credit is reduced.

Are tax credit claims made for each individual?

If you are married or living with a partner you will need to make a joint claim for tax credits. You can only make a single claim if you do not have a partner.

How are tax credits calculated?

The payments you receive are based on your current personal circumstances and your income from the tax year that ended on the previous 5 April.

If you are making a new claim for tax credits your payments will usually run from the date of your claim to the end of the tax year. For example, if you make a claim on 10 November 2009, your payments will be worked out from that date until 5 April 2010.

What happens if the credits calculated are too high?

Sometimes you will have been paid too much or not enough. If this happens HMRC will make an adjustment to make sure that your payments are correct. Any payments made from 6 April 2010 to the date on which you renew your claim are temporary or provisional and if you don't renew, you may be asked to pay them back.



Tax Credits Technical Guidelines

What information is needed?

Each year during April, May and June HMRC will write to you asking you to:

- check the information they have about your personal circumstances
- confirm the income you received in the year that has just ended
- renew your claim

This helps them to check that the payments made to you were correct. It also allows HMRC to base your payments for the year ahead on the right amount of income.

When should the claim be made?

Make a claim for tax credits as soon as you think you qualify. If you wait to claim you could lose money because tax credits can normally only be backdated up to three months from the date

your claim is received. For example, if you have a baby on 12 June but do not submit your claim form until 12 October, your payments will only be backdated to 12 July.

Sometimes it might be worth making a claim even if you think your income is too high to get any money at the moment. You might want to do this if you expect your income to go down later in the year, perhaps because of redundancy.

Likewise, you should let HMRC know if you make a claim for a sickness or disability benefit that would mean you get extra tax credits payments. If you are later told that you are entitled to the benefit, your extra tax credits payments will be backdated to the earliest possible date.

Will other benefits received be affected by these tax credits?

Yes, other benefits like Income Support or Housing Benefit may be reduced if you get tax credits.

Advice that stands the test of time

This is intended to provide a guide to current tax issues. It is not a substitute for technical advice. If you have any queries, please do not hesitate to contact us.