

Payment of tax credits

What are tax credits

This fact sheet is about the payment of tax credits. There are two types of tax credit:

- Working Tax credit is extra money you can get from the government if you are working and are on a low income
- Child Tax Credit is extra money you can get from the government if you have children. You don't have to be working to get Child Tax Credit.

Whether you can get tax credits and the amount you can get depends on your income and your family circumstances.

Tax credits are paid by HM Revenue and Customs (HMRC).

Who tax credits are paid to

Who tax credits are paid to depends on what sort of tax credit you're getting.

If you're getting Child Tax Credit or the childcare element of Working Tax Credit, this is paid to the main carer of your child.

Working Tax Credit is paid to the person who works 16 hours a week or more. If you're part of a couple and you both work 16 hours a week or more, you can choose which one of you Working Tax Credit is paid to.

How long tax credits are paid for

Tax credits are usually awarded for a whole tax year. The tax year runs from 6 April one year until 5 April the following year. If you claim after the beginning of the tax year, your money will be paid from the date you claim to the end of the tax year.

How tax credits are paid

You can choose to get tax credits paid either weekly or four-weekly. Payments are made in arrears, that is, at the end of each payment period (either one week or four weeks).

However, if you're entitled to less than £2 a week, you will be paid all the money you're entitled to for the whole of the award period as soon as the award is made.

Tax credits are paid directly into your bank account, building society account or Post Office Card account. If you don't have one of these accounts, you'll be encouraged to open one. If you have difficulty in opening an account, contact the HMRC helpline on 0345 300 3900 (textphone 0345 300 3909). You might be able to open a basic bank account.

If you haven't got an account, HMRC might agree to pay you by cheque which you could get cashed at the Post Office. This arrangement can normally only last for four weeks unless there are exceptional circumstances.

Delays in payment

HMRC should deal with your claim for tax credits within a reasonable period of time. To avoid delays, you should try to fill in the claim form as fully as possible.

Backdating payments

You can get backdated payments if it seems that you'd have got tax credits if you'd claimed earlier. In most cases, you can get up to one month's backdated payments. However, if you're getting the disability element of Child Tax Credit or Working Tax Credit, you might be able to get more than one month's backdated payments.

What if your circumstances change

The amount of tax credit you get is usually set for the year. If your family or personal circumstances change during the year, you should tell HMRC as soon as possible. This is important because otherwise you might not get paid all the money you have a right to (an **underpayment**). Or you might be paid too much money and have to pay it back later (an **overpayment**).

Some changes to your circumstances might mean that your payments stop and you have to claim again.

Other changes mean that your payments continue but your entitlement to tax credits will be worked out again.

Some changes to your income do not affect your tax credit at all. However they may be taken into account when HMRC finalise your tax credit award at the end of the tax year.

It's possible that your entitlement will be worked out again even if your circumstances haven't changed. This could happen if, for example, HMRC thinks you're entitled to a different amount of money than you were originally awarded.

What happens at the end of the tax year

After the end of the tax year, that is after 5 April, HMRC will look at your circumstances again. They will decide:

- if you're still entitled to tax credits
- if so, how much you'll get now
- how much you should have been getting in the previous tax year.

HMRC will send you an **annual review pack** asking you to give them the information they need to help them make these decisions. In the meantime, you'll carry on getting money at the same rate (these are called **provisional payments**). If HMRC has asked you to reply to the annual review, it's important to do so by the deadline given, which is usually 31 July. If you don't, your payments will stop and you will have to pay back any provisional payments you've received.

Once you've given HMRC all the information they need, your payment for the new tax year will be confirmed. They will also confirm how much you should have been getting in the previous tax year.

Underpayments of tax credit

If HMRC decide at the end of the tax year that you've been underpaid, they must pay you back. The repayment will come in a lump sum. However, in some cases you may not get all the money back. If you didn't tell HMRC about a change in your circumstances which affected your award as soon as it happened, you will only be able to get your money backdated up to a maximum of one month.

Overpayments of tax credit

If you have been overpaid tax credits, you will usually have to pay back the amount of the overpayment to HMRC. If you and your partner made a joint claim for tax credits, HMRC may try to get the money back from either of you. If they decide that you need to pay back tax credits, they must tell you how much money you have to pay back and the steps they will take to get it back.

Problems with payments

If you think the amount of tax credits you are getting is wrong, you can ask HMRC's Tax Credit Helpline to explain their decision. If you are still not satisfied, you can ask HMRC to look at it again. This called a **mandatory reconsideration**. If you're not satisfied with the result of the mandatory reconsideration, you can appeal to an independent tribunal.

If you're unhappy about the service you get from HMRC, for example because there have been long delays in processing your claim or they have lost documents you sent to them, you should complain first of all to the tax credit office which dealt with your claim. If you're not satisfied with the response, you can take the complaint further. HMRC's Tax Credit Helpline on 0345 300 3900 (Textphone 0345 300 3909) can explain what you should do if you want to take your complaint further, or you can get help from an experienced adviser.

Further help

Citizens Advice Bureau

Citizens Advice Bureaux give free, confidential, impartial and independent advice to help you solve problems. To find your nearest CAB, including those that give advice by e-mail, click on [nearest CAB](#), or look under C in your phone book.

Other information on Adviceguide which might help

- Tax credits - reporting a change of circumstances
- Benefits for families and children
- Benefits and tax credits for people in work
- Problems with benefits and tax credits
- Overpayment of tax credits
- Payment of benefits and tax credits

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