

## **Overpayment of tax credits**

Working Tax Credit and Child Tax Credit are means-tested allowances paid by the Inland Revenue (IR). Working Tax Credit is paid to people working 16 hours or more a week, who meet certain other conditions, based on income and individual circumstances. Child Tax Credit is paid to parents and people responsible for children (or some young people who are still in education). Child Tax Credit also depends on your income and circumstances.

This fact sheet tells you what you can do if the IR says they have paid you too much tax credit, and asks you to pay it back. You may find it useful to get help from an experienced adviser, for example at a Citizens Advice Bureau (see under Further help for more details).

### **How an overpayment can occur**

#### **Overpayments for the previous tax year**

Tax credits are worked out on a yearly basis, in line with the tax year (6 April – 5 April). Your tax credit award is initially based on your income from the previous tax year. At the end of the year, once all the information about your income and circumstances is available, the IR will compare your tax credit entitlement with what they have paid you. If the IR thinks it has paid you more than you are entitled to, this is called an overpayment, and they will expect you to pay it back - although they may not ask you to pay back all of it.

There are several reasons why the IR might find, at the end of the year that you have been paid too much tax credit. This could be because:

- they did not know about a change in circumstances that reduced your entitlement
- your income rose by more than a certain amount in the previous tax year, and they did not know about it
- you told them about a change in income during the course of the year, but your income was more than expected.

#### **Overpayments for the current tax year**

The IR might also decide to adjust your tax credit entitlement during the course of the tax year, if they find they have been paying you too much during the current year. This could be because:

- there was a delay before they knew about a change in your circumstances that reduced your award
- your award was not based on the right information
- you have been paid the wrong amount for your income and circumstances.

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### Asking the Inland Revenue to explain the overpayment

If you are asked to pay back tax credits, you should contact the Inland Revenue Tax Credits helpline and ask for an explanation of how the overpayment has occurred. You should ask for form TC647. This will set out and explain your tax credit entitlement and award. Keep a record of your telephone call, including the date and time of the call. For details of the Tax Credits helpline, see under Further help.

If the reason for the overpayment cannot be identified, the query should be referred to the Overpayments Dispute Team for an explanation. The Team should give you an explanation of the overpayment in writing, a copy of the IR Code of Practice called What happens if we have paid you too much tax credit, and form TC846. You should use form TC846 if you want to ask the IR to reconsider its decision to recover an overpayment.

### Disputing the decision to recover an overpayment

#### When can you ask the IR to reconsider recovering an overpayment

Even if you accept that the Inland Revenue has overpaid you tax credits, you can still ask them to reconsider their decision to recover all or some of the money. You can ask the IR to reconsider their decision if:

- you think you were paid too much because they made a mistake, and it was reasonable for you to think that your award was right. You will have to prove that it was reasonable for you to think that your award was right
- it would cause hardship to you or your family if you have to pay the tax credits back.

If you think either of these circumstances applies to you, you can ask the IR to reduce the overpayment, or to write it off altogether. Alternatively, you may be able to ask the IR to make **additional payments** (also known as top up or hardship payments) of tax credits, to help you over any financial difficulty caused by recovering the overpayment. This would mean that you would still have to pay back the overpayment, but over a longer period of time.

#### How to ask the IR to reconsider recovering an overpayment

If you want the IR to reconsider its decision to recover an overpayment, you should complete form TC846, and return it to the Overpayments Dispute Team. The address is on the form. If you made a joint claim for tax credits with your partner, both of you must sign the form.

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You may find it helpful to attach a separate letter to the form, saying why you think you should not repay the tax credits. You should give all the information you can, including exactly what you did, and why you thought your tax credit award was correct. If you have any evidence of a mistake made by the Inland Revenue, for example, copies of any correspondence and the original claim form, you should include this as well.

The Overpayments Dispute Team will decide whether all or some of the overpayment should be recovered. They should give you this decision, along with their reasons, in writing.

If the IR cannot reduce your overpayment, because they have not made a mistake, or there is no evidence of hardship, you could still try asking them if you can come to an arrangement to pay the tax credits back in instalments. If you are not currently getting tax credits, you should ring the Payment Helpline on 0845 302 1429 to do this. If you are currently getting tax credits, you should ring the Tax Credits helpline (see under Further Help for details).

If you are unhappy with the Overpayments Dispute Team's decision to recover the overpayment, you can ask them, in writing, to reconsider their decision.

### **Appealing against your entitlement to tax credit**

You have no right to appeal against a decision to recover an overpayment of tax credit. However, you do have the right to appeal to an independent tribunal against a decision that you are entitled to less tax credit, or that you are not entitled at all.

You have 30 days from the date shown on the notice of the Inland Revenue's decision in which to appeal. In some exceptional circumstances, you may be able to make an appeal after that. You should make your appeal to the Tax Credit Office (see under Further help for details).

### **Making a complaint**

If you are unhappy at any time with the service you have received, you can make a complaint to the Tax Credit Office (see under Further help for details). The complaint should be made to the Customer Relations section or the Complaints Manager. You can complain in writing, putting 'complaint' at the top of the letter, or by phone, making sure you keep a note of the name of the person you spoke to, and the time of the call.

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If the complaint cannot be settled at this stage, you should ask the Director of the Tax Credit Office to review the complaint.

If you want to complain about the service provided by the Tax Credits helpline, you should ask the Director of the Inland Revenue Contact Centres to review the complaint. Details of the Contact Centres are available on the Inland Revenue leaflet Putting things right – making a complaint, which you can get from the Tax Credits Helpline (see under Further help). You can complain to the Director of the Inland Revenue Contact Centres either in writing, or by telephone. If you complain in writing, it is easier to keep a record of what you have said.

If, after complaining to the Tax Credit Office, and the Director of the Inland Revenue Contact Centres, you are still not satisfied, you can ask the Adjudicator to investigate your complaint. You must do this within six months of the final decision from the Inland Revenue. You can contact the Adjudicator at:

The Adjudicator's Office  
Haymarket House  
28 Haymarket  
London  
SW1 4SP

Tel: 020 7930 2292  
E-mail: [adjudicators@gntet.gov.uk](mailto:adjudicators@gntet.gov.uk)  
Website: [www.adjudicatorsoffice.gov.uk](http://www.adjudicatorsoffice.gov.uk)

If you are not satisfied, at any time, with the service that has been provided or the way your complaint is being handled, you can ask your MP to refer your case to the Parliamentary Ombudsman (see under Further help). However, you will only be able to do this if you have not complained to the Adjudicator. A complaint to the Ombudsman must be made within twelve months of receiving the final decision from the Inland Revenue.

### **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.

[www.adviceguide.org.uk](http://www.adviceguide.org.uk)

### **Tax Credits Helpline**

Tel: 0845 300 3900

Textphone: 0845 300 3909

Welsh language speakers: 0845 302 1489

### **Tax Credit Office**

Preston

PR1 0SB

Tel: 0151 966 1151

### **Other information on adviceguide which might help**

- Child tax credit and working tax credit
- How to use an ombudsman

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