

Overpayment of tax credits

Working Tax Credit and Child Tax Credit are means-tested allowances paid by HM Revenue and Customs (HMRC). This fact sheet tells you what you can do if HMRC says they have paid you too much tax credit and asks you to pay it back. You may also 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, HMRC will compare your tax credit entitlement with what they have paid you. If HMRC thinks they have 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.

Reasons why HMRC might find, at the end of the year, that you have been paid too much tax credit include:

- you delayed telling them about a change in circumstances
- HMRC delayed recording a change in circumstances
- your income in the tax year 2005/06 was £2,500 more than in 2004/05
- your income in the tax year 2006/07 was **£25,000** more than in 2005/06.

Overpayments for the current tax year

HMRC 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. This could be because of a change in your circumstances or income.

Asking HMRC to explain the overpayment

If you are asked to pay back tax credits, you should contact the Tax Credits Helpline (see under Further help for details) and ask for an explanation of how the overpayment has occurred. Keep a record of your telephone call, including the date and time of the call.

If the Helpline can't find a reason for the overpayment, the query should be referred to the Overpayments Dispute Team. The Team should give you an explanation of the overpayment in writing and a copy of HMRC's Code of Practice called What happens if we have paid you too much tax credit? They should also send you form TC846, to be used if you disagree with recovery of the overpayment.

What if you disagree with the HMRC's decision to recover an overpayment?

Once you've had an explanation for the overpayment, if you disagree with HMRC's decision to recover it you can ask them to consider writing it off or only recovering some of it. You can ask them to do this if you think you were overpaid because they made a mistake. You will have to prove that it was reasonable for you to think you were being paid the right amount.

HMRC will expect you to have checked the details on any award notices you received, and to have asked for advice if there was anything in them that you didn't understand.

If you were wrongly told by a Tax Credit Helpline adviser or in a letter that your award was correct, HMRC won't normally recover the overpayment. This applies even if you contacted HMRC to query the amount of your award. However, they will usually check that you provided full information about your circumstances and income when you spoke to the Helpline so they could give you the correct advice.

To ask HMRC to reconsider recovering an overpayment, you need to complete form TC846. You can get the form from HMRC's website at www.hmrc.gov.uk/menus/tax_credits.htm or by phoning the Tax Credit Helpline on 0845 300 3900. If you made a joint claim for tax credits with your partner, both of you must sign the form.

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 HMRC, for example, copies of any correspondence and the original claim form, you should include this as well. You should also try to include details of the dates and times you have phoned the Tax Credit Helpline, in case HMRC need to check what advice you were given. Return the form and any other information you want to include to the Tax Credit Office (see under Further Help for the address).

Once they've got your form, HMRC should stop recovering the overpayment until your case has been investigated and a decision has been made. You should get this decision, along with the reasons for it, in writing. If you have more than one overpayment, only the recovery of the overpayment that you're disputing is suspended. This means you may not see a difference in your payments during this period.

If you are still unhappy with HMRC's decision, you can ask them to reconsider it. You should do this in writing. Make sure you let them know about any new information which is relevant to your case. If you are still unhappy about their decision, get advice. You should do this as soon as possible as there are

strict time limits about when you can take further action. In certain circumstances, this might include going to court.

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 about the amount of tax credits you are entitled to, or whether you were entitled at all. You have 30 days from the date shown on the notice of HMRC'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).

Help with paying off your overpayment

Your overpayment is being recovered from your current award

If you are getting reduced tax credit payments because HMRC is recovering an overpayment and you are finding it difficult to manage, you can ask them to give you more time to pay. This is called asking for **additional payments**. Getting additional payments means that your tax credit payments will go up. You will still have to pay back the amount you owe but you will have a longer period of time to pay.

HMRC will not make additional payments if you were overpaid because you gave them the wrong information. However, if this causes you financial difficulty, you can phone the Tax Credit Helpline and ask them to reconsider this. If you still can't manage financially after HMRC have given you additional payments, you can ask them to reduce the recovery rate further. In exceptional circumstances, HMRC may write off all or part of an overpayment if it would cause you or your family hardship to pay it back.

You've been asked to pay back a lump sum after your entitlement to tax credits has ended

If HMRC decide that you've been overpaid after your entitlement to tax credits has ended, they will send you a notice asking you to pay back what you owe within 30 days.

If you need more time than this to pay, you can call them on 0845 302 1429. HMRC will look into your financial and family circumstances. They may ask you to pay back the money in instalments, or they may delay in starting to collect the overpayment from you.

In exceptional circumstances, HMRC may write off all or part of an overpayment if it would cause you or your family hardship to pay it back.

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). If the complaint cannot be settled at this stage, you should ask the Director with overall responsibility for the office concerned to review your complaint.

If you are still not satisfied, you can ask the **Adjudicator** to investigate your complaint (but you will not be able to do this if you have already complained to the Ombudsman – see below). Strict time limits apply. You can contact the

Adjudicator at: The Adjudicator's Office
28 Haymarket
London
SW1Y 4SP
Tel: 020 7930 2292
E-mail: adjudicators@gtnet.gov.uk
Website: www.adjudicatorsoffice.gov.uk

If you are not satisfied with the service that has been provided by HMRC or the way your complaint is being handled, you can ask your MP to refer your case to the **Parliamentary Ombudsman** (see below). Strict time limits apply.

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.

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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