Tax credit renewals and compliance checks

Personal tax

01 July 2017

LITRG explains changes this year to HMRC's processes for renewing and checking tax claims.

The tax credit annual renewal period runs from 6 April to 31 July 2017 (in most cases). It allows HMRC to finalise tax credit entitlements for 2016/2017 and set up renewal claims for 2017/2018. For those whose claims ended in 2016/17 (for reasons other than moving to universal credit), the process will be used to finalise their 2016/17 claim only as they will not be renewing. Everyone who claimed tax credits during the 2016/2017 tax year should have received a renewal pack from HMRC by 30 June.

Claimants should read the information in their packs, check the renewal notice to make sure it is correct and up to date, and follow the instructions carefully. Claimants who need to take action to renew can do so: on-line via GOV.UK; using the HMRC app; by telephone; or by post. Those who receive an 'auto-renewal' pack have their tax credits renewed automatically and only need to contact HMRC by 31 July 2017 if they need to change or correct any information.

HMRC increasingly use PAYE Real Time Information (RTI) to pre-populate renewals forms with employed earnings and pension income. Claimants should check these figures carefully as, even if they are accurately based on the tax record, they may not be correct for tax credits. This is because various deductions can be made from tax credits income that will not show up in RTI information, for example only the first £100 weekly of statutory maternity pay should be included for tax credits. Checking the figures is particularly important for auto-renewal cases as, if the claimant does not contact HMRC, the pre-populated figures are used to finalise their 2016/17 claim and establish their claim for 2017/18. More information on RTI and tax credits can be

found on LITRG's 'Revenue benefits' website.

Claimants who are required to reply to HMRC should complete their renewal declaration by 31 July 2017, or the date specified in their renewal pack if HMRC have given a later deadline due to a delay. If a claimant is not able to give their actual income for 2016/17 by the deadline, for example because they are self-employed and their accounts are not yet finalised, they must still give an estimate by the deadline. They will then have until 31 January 2018 to confirm their actual income.

If the 31 July deadline is missed, ongoing payments will be stopped and any tax credits received since 6 April will need to be paid back. If claimants complete their renewal within 30 days of the letter telling them their payments have stopped, HMRC will process their renewal and their new claim will start from 6 April (cancelling out any overpayment). Outside of those 30 days, a renewal will only be processed if the claimant has good cause for missing the deadline and contacts HMRC by 31 January 2018. The situation is not as clear for those who miss the deadline and the extra 30 day grace period and who live in a postcode area that is running a full digital service for universal credit, as they may not be allowed back into tax credits. To check the status of universal credit roll out by postcode area, use LITRG's tool at https://universalcreditinfo.net/.

Those who start to claim universal credit during the renewal period (i.e. before their tax credit award for 2017/2018 is formally set up as a result of renewal) might receive in-year finalisation paperwork for the period from 6 April 2017 as well as their renewal pack for 2016/2017. Claimants can complete both declarations at the same time by telephone or post, but cannot complete their in-year finalisation declaration on-line. There is information about in-year finalisation and renewals on our website for advisers, Revenuebenefits: see 'Universal credit: Finalising tax credit claims' and 'Tax Credits: Renewals'.

Changes to payments

Between 6 April and whenever HMRC process the renewal, tax credits usually continue to be paid provisionally until the new award is set up. HMRC may change, or even stop, provisional payments if they have information suggesting the new award amount should be lower, for example if PAYE data indicates increased annual income. Affected claimants should contact HMRC and try to complete their renewal

as soon as possible.

Compliance checks

HMRC are now undertaking their own compliance checks for tax credits and will not be using Concentrix or any other private company for this work.

HMRC have reviewed their compliance regime for the renewals period following last year's service failures. They are now:

1. Sending revised and improved letters so that people understand what they need to do and where to get help.
2. Prompting claimants, by SMS text alerts and by telephone, to respond to checks.
3. Making it easier for claimants to engage during a check by providing digital channels to submit information, improving telephone services and ensuring better referrals between the main tax credits helpline and compliance teams.
4. Supporting people who make contact by being more flexible in the types of evidence that will be considered; and by recognising, in undisclosed partner cases, that people's lives are complicated and relationship breakdowns can be drawn out and difficult.
5. Rapidly reinstating payments which were changed or stopped because the claimant did not engage during a check but then comes forward with new evidence before the final renewal date.

HMRC are monitoring performance closely and will escalate any issues promptly to senior staff. They have also produced a video to help claimants understand more about why HMRC check tax credit awards, what they need to do and by when, and what happens if they do not reply.

The online option allows claimants to upload (using an 'i-form', submitted via the personal tax account on GOV.UK) information and evidence requested as part of a compliance check. HMRC's letter will contain a risk code which the claimant must use on the i-form. Up to five pieces of evidence can be attached at a time of up to 4.5MB each in either JPG, JPEG or PDF formats. The i-form can be re-used to submit more evidence if required.

Claimants can also return their evidence to HMRC by post.

We are interested in hearing any feedback about compliance checks during the renewals period – email litrg@ciot.org.uk.