

[Students and Tax Credits]

Students and Tax Credits is one of a series of Child Poverty Action Group in Scotland leaflets giving guidance to advisers who are working with people who are studying or thinking about doing a course of education. Child Poverty Action Group promotes action for the prevention and relief of poverty among children and families with children.

Introduction

Tax credits are a method of support, introduced in April 2003, for people who are working or who have children. They provide extra money for children and people on low incomes. There are no rules barring students from access to tax credits: as long as they fulfil the eligibility criteria, then they can claim in the same way as anyone else.

Child tax credit (CTC)

Who can claim CTC?

- Anyone aged 16 or over who has at least one dependent child for whom they are responsible

Some overseas students and students going abroad cannot get CTC (see *Going abroad/overseas students* section below).

CTC and studying

Part-time and full-time students can claim CTC. Although it is means tested, students with children usually get maximum CTC because their income is below a set threshold. The section *Income and tax credits*, below, gives some more information about the means test.

Fiona's tax credits

Fiona is a lone parent who receives income support for herself and CTC and child benefit for her children. She has two children aged nine and fifteen. She starts a full-time course at university in autumn 2008 and is eligible for a student loan, a lone parents' grant and money from the childcare fund to help with childcare costs.

*Fiona's student loan (£4,510) is taken into account for income support. Her income support stops, because her income is too high. The student loan is disregarded as income for CTC, and the lone parents' grant is taken into account. She is entitled to maximum CTC throughout the year, because her income is lower than a set threshold (see *Income and tax credits* section below). She can claim income support again in the summer vacation when her student support is not taken into account as income.*

CTC amounts

Number of children	Maximum weekly CTC 6 April 2008 - 5 April 2009
1 child over a year old	£50.54
1 child under a year old	£61.04
2 children, both over a year old	£90.58
2 children, at least one under a year old	£101.08
3 children, all over a year old	£130.62
3 children, at least one under a year old	£141.12

An additional amount of £48.72 is paid for any child that receives disability living allowance or who is, or was recently, registered blind (£68.32 if they get the high rate of the disability living allowance care component).

Working tax credit (WTC)

Who can claim WTC?

- You are working 16 or more hours a week and are
 - responsible for a child, or
 - disabled, or
 - at least 50 (and satisfy other rules), or
- You are working 30 hours or more a week and are
 - aged 25 or over

AND

- Your work is expected to last for at least four weeks

Students can claim WTC if they fit into one of the above groups and

- work during vacations (work must be expected to last at least four weeks), or
- work part-time or full-time throughout the year (subject to hours rules above), or
- have a partner who works (subject to hours rules above)

So students without children, who are under age 25, cannot get WTC unless they have a disability. You cannot get WTC if you take a vacation job for less than four weeks.

Cathie and John's tax credits

Cathie is a full-time student and gets a student loan. Her husband John works 30 hours a week, and they have two children. Income for tax credit purposes is John's earnings of £15,000. This is compared with a set threshold (different from the CTC threshold). Cathie and John will receive £5,687.55 of child and working tax credit. This is a payment of £109.08 a week. Their income is tax credits, child benefit, student loan and John's earnings.

Childcare costs

Cathie and John's tax credits

Cathie stays on her course but starts working part-time as well. She work 16 hours a week. This means that Cathie and John are now eligible to claim the childcare element of WTC. They get £10 a week towards their daughter's after-school club.

Who is eligible for the childcare element of WTC?

- A lone parent working at least 16 hours a week
- A member of a couple if both are working at least 16 hours a week, or if one is working 16 hours or more and the other is incapacitated, in hospital or in prison
- A student cannot claim the childcare element because they are studying - only if they are working as outlined above

How much is the childcare element worth?

You can get 80% of eligible childcare costs up to a maximum of £175 for one child and £300 for two or more children (ie up to £140 or £240 per week). For more information about this see CPAG in Scotland's leaflet *Tax credits and childcare*, October 2008.

Parent claiming for a student

Parents can claim tax credits for a young person who continues in full-time non-advanced education or on an approved training course beyond age 16 in certain circumstances. Non-advanced education is study up to and including SVQ level 3 / SNQ advanced higher level. Approved training courses are Skillseekers, Get Ready for Work and Modern Apprenticeships, as long as the training is not provided as part of a contract of employment.

Fiona's tax credits

Fiona's son Connor turns 16 in July and CTC stops for him from 1 September. Fiona contacts the Tax Credit Office to let them know that he is still at school, and the CTC for Connor is reinstated. He leaves school six months later and Fiona is no longer entitled to CTC for him.

When do you stop claiming for dependent young people in education?

- If they have left full-time non-advanced education, on 1 September following their 16th birthday.
- Otherwise, when they leave full-time (more than 12 hours per week on average) non-advanced education.
- When they claim income support, income-based jobseeker's allowance, child tax credit, working tax credit, employment and support allowance or incapacity benefit in their own right.
- Tax credits can continue for another 20 weeks after an under-18-year-old has left full-time education if they register with Careers Scotland. If the young person turns 18 during these 20 weeks entitlement will end.
- If none of the above apply and they remain in full-time non-advanced education, you stop claiming when they reach 19, or, for those who were under 19 when they were accepted on, enrolled on or started their course, when they reach 20.

See also CPAG in Scotland's leaflet *Parents claiming for young people in further education or training*. There are other general rules governing when to stop claiming for a child, such as when a child goes into care.

Income and tax credits

Where someone is eligible for CTC and no WTC the maximum amount is paid if income for tax credit purposes is less than £15,575. Income is assessed over a tax year, from April to April. Where someone is eligible for WTC, either on its own or as well as CTC, the maximum amount is paid if income for tax credit purposes is less than £6,420. Where income is above these levels, the maximum award is gradually reduced.

Student support and tax credits

Most student support is ignored as income for tax credits, for example the student loan, bursary maintenance allowance, discretionary funds and education maintenance allowance. The student support that counts as income for tax credits is the HE dependants' grant and lone parents' grant, and the FE dependants' allowance. Part of a career development loan may also be taken into account as income. This is very different to income support, where most student support is taken into account as income. What this means is that lone parent students can get CTC throughout the year, even though they usually only get income support during the summer vacation.

Fiona's tax credits

Fiona's maximum CTC for her two children is £4,723.10 per year. Her income for tax credits is £1,270 lone parents' grant. Her income is compared to a fixed threshold £15,575 (April 2008 to April 2009). Someone whose income is below the threshold is entitled to maximum CTC. Fiona's income is below the threshold of £15,575, so she gets full CTC. This is a payment of £90.58 a week, usually paid four weekly.

Some people still receive income support amounts for their children, and have not yet transferred to CTC. This means that if you are still receiving income support amounts for your children, you may be better off claiming CTC when you start studying. It is important to get a 'better-off' calculation before doing this, as for a few people staying on income support is a better option. You need to be aware that coming off income support will impact on housing benefit and passporting to other benefits. Your local citizens advice bureau or Jobcentre Plus office can help with a better-off calculation.

Other income and tax credits

The following types of income are taken into account: gross taxable income from employment/self-employment, taxable social security benefits, and some other kinds of income, e.g. interest on savings, pension income (first £300 disregarded). The notes that accompany the tax credit claim form explain what income is taken into account. You can find these on the HM Revenue and Customs website (www.hmrc.gov.uk).

Changes in income

Tax credit awards are worked out over a tax year, April to April. Awards are initially based on income from the previous tax year, and are provisional until finalised at the end of the tax year. The final award is based on current year's income if it is lower than previous year's income. If income is the same or has gone up by no more than £25,000 it is based on previous year's income. If income has increased by more than £25,000 it is based on current year's income less £25,000. In order to get an accurate award it is advisable to tell the Tax Credit Office what you expect your income to be in the current tax year, to minimise any potential over- or under-payments. You should do this as early as possible and not wait until the end of the tax year.

Fiona's tax credits

On the tax credits claim form Fiona is asked to give her income from the previous tax year. Her income last year for tax credits was £0, as she was on income support, so she gets maximum CTC. Her income in the current year is £1,270 lone parents' grant so her final award will be based on her previous year's income, as it has gone up by less than £25,000.

An increase of up to £25,000 from one tax year to the next does not affect an award. Therefore someone can have a large increase in income and their award will stay the same. The increase will affect the award from the start of the following tax year. This is because although the increase in income is not taken into account in the tax year in which it happens, it is taken into account in the following tax year.

Cathie and John's tax credits

Cathie's part-time work means her and John's income for tax credits is now £22,000 a year. The family's income has increased but because it has increased by less than £25,000, the tax credit award is not affected for the rest of the tax year.

Change of circumstances

Fiona's tax credits

When Fiona contacts the tax credit office to let them know that Connor has left school her award is reassessed so that she only gets CTC for one child.

You must notify the Tax Credit Office if

- You have claimed as a single person and you become part of a couple
- You stop being part of a couple in which you made a joint claim
- There is a reduction of at least £10 per week in your weekly childcare costs, which lasts for at least four consecutive weeks, or they stop altogether
- You leave the country for longer than (usually) 8 weeks, or lose the right to reside
- You no longer count as responsible for a child, e.g., they move out of home, claim benefits in their own right, leave full-time education (see above, *Parent claiming for a student*)
- Your hours of work drop below 30 hours a week or 16 hours a week, or you stop working.

You must notify these changes within one month. It is very important to notify the above changes. If you don't, as well as being overpaid, you could be subject to a financial penalty.

You should notify the Tax Credit Office if

- You have a new baby, or become responsible for another child
- Your annual income for the tax year April to April is likely to be over £25,000 more than the previous tax year
- Your annual income falls
- Someone in your family starts or stops getting disability living allowance
- Your working hours increase to 30 or more per week

You should notify these changes as soon as possible. Where entitlement decreases this reduction takes effect from the date of change, so a delay in notifying a change can mean that you are overpaid. Where entitlement increases as a result of a change, this can usually only be backdated for a maximum of three months.

Fiona's tax credits

Fiona tells the tax credit office about Connor leaving school several months after he leaves. She will have been overpaid tax credits and will have to repay any CTC she received for Connor after he left school.

What to do if you are overpaid

The tax credit leaflet COP26 *What happens if we have paid you too much tax credit* explains what you can do if you have been overpaid tax credits. This is available on the HM Revenue and Customs website at www.hmrc.gov.uk

If you think you have not been overpaid, or that the amount is wrong, then you should appeal this. You have 30 days from the date of the decision notice to appeal. This deadline can be extended by 12 months, if special reasons for lateness exist.

If you have to pay money back to the tax credit office from your ongoing award, and you are on a low income, any reduction to recover an overpayment should be limited to either 10% or 25% of your total award.

Fiona's tax credits

Because Fiona is on a low income her overpayment of CTC from when Connor left school will be repaid by reducing her ongoing award by 10%. If this causes her hardship, Fiona could ask for the amount being paid back each month to be reduced or for the overpayment to be written off completely.

The Tax Credit Office may decide not to recover part/all of the overpayment if

- it was caused by a mistake on part of the Revenue, and you have done everything expected of you, or
- it could cause you and your family hardship if you had to pay this back.

You should complete form TC 846 *Request to reconsider recovery of tax credits* if you think that the above applies. If you have done this, recovery should be suspended pending the outcome of the reconsideration.

You can also ask for the length of time for recovery to be extended because of hardship.

Finally, you can complain about the administration of tax credits. This should be to the tax credits customer relations manager (send to Tax Credit Office, Preston PR1 0SB) in the first instance, then to the director of the Tax Credit Office, and then to the adjudicator's office. For more information see CPAG in Scotland's leaflet *Tax credit overpayments (April 2008)*.

Going abroad/overseas students

To be eligible to claim tax credits, you have to be present in the UK, ordinarily resident in the UK, and, for CTC, have the right to reside.

If you go abroad temporarily and expect your absence not to exceed 52 weeks, you can get tax credits for up to eight weeks of absence (12 in some circumstances).

People subject to immigration control cannot usually claim tax credits. There are some exceptions to this and you should get expert advice. Note that if you are subject to immigration control and your partner is not, then you are eligible as a couple.

Further information and advice

Child Poverty Action Group in Scotland

0141 552 0552 advice line for advisers on benefits and tax credits

Monday, Tuesday, Wednesday and Thursday 10 am to 12 pm

CPAG's advice line is only for advisers. If you are a student or thinking of doing a course of education and are in need of advice, contact your college/university student welfare services, or your local citizens advice bureau.

E-mail: advice@cpagscotland.org.uk

e-mail advice for advisers on benefits and tax credits

Web:

for more information about

- CPAG in Scotland's Benefits for Students Project and more leaflets go to www.cpag.org.uk/scotland/studentbenefitsproject
- CPAG's *Benefits for Students in Scotland Handbook* go to <http://scottishhandbooks.cpag.org.uk>
- CPAG's *Welfare Benefits and Tax Credits Handbook*, go to www.cpag.org.uk
- CPAG in Scotland's tax credits project leaflets go to www.cpag.org.uk/scotland/taxcredits

HM Revenue and Customs (formerly the Inland Revenue)

Tax credit helpline 0845 300 3900, text phone 0845 300 3909

**CHILD
POVERTY
ACTION
GROUP**
in SCOTLAND

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