

STUDENTS AND TAX CREDITS



Child Poverty Action Group works on behalf of the one in four children in Scotland growing up in poverty. It doesn't have to be like this. We use our understanding of what causes poverty and the impact it has on children's lives to campaign for policies that will prevent and solve poverty – for good.

We provide training, advice and information to make sure low income families get the financial support they need.

INTRODUCTION

Tax credits are a method of support 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. Tax credits are administered by Her Majesty's Revenue and Customs, referred to as HMRC in this factsheet.

Note: universal credit (UC) is expected to replace tax credits by 2022. See CPAG in Scotland's *Universal credit and students* factsheet, for more information (see p8 for details). Currently you can only make a claim for tax credits if you live in an area where UC is not fully rolled out; or, if you live in an area where UC is fully rolled out, and you are responsible for three or more children.

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 often get maximum CTC because their income is low. 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 CTC and child benefit for her children. She has two children aged nine and fifteen. She started a full-time course at university in autumn 2017 and is eligible for a student loan, a lone parents' grant and a lone parents' childcare grant which helps with childcare costs.

CTC maximum amounts

Number of children	6 April 2018 - 5 April 2019 weekly amount
1 child	£63.84
2 children	£117.18
3 children	£170.52

An additional amount of £62.86 is paid for any child that receives disability living allowance, personal independence payment or who is, or was recently, certified as severely sight-impaired or blind (£88.34 if they get the high rate of the disability living allowance care component or the enhanced rate of personal independence payment daily living component).

Note: if you have a third child born on or after 6 April 2017, you cannot get the three child rate, except in exceptional circumstances (see CPAG's *Welfare Benefits and Tax Credits Handbook*). You get the two child rate instead. If your first child is born on or after 6 April 2017, the rates are lower than in the table (eg, £53.34 for one child instead of £63.84).

WORKING TAX CREDIT (WTC)

Who can claim WTC?

- You are working 16 or more hours a week and are
 - a lone parent responsible for a child/ren, or
 - a member of a couple responsible for a child/ren, and your partner is incapacitated, in prison, in hospital or gets carer's allowance, or
 - disabled, or
 - aged 60 or over
- You are working 24 hours or more a week and are
 - a couple responsible for a child/ren, working at least 24 hours a week between you and one of you is working at least 16 hours a week. If only one of you works for at least 24 hours a week, you will qualify.

You are working 30 hours or more a week and are

- aged 25 or over

And in all cases

- 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 £141.47 per week child and working tax credit. 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 works 16 hours a week. This means that Cathie and John are now eligible to claim the childcare element of WTC. They get £30 a week towards their daughter's registered 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, in prison or receiving carer's allowance
- A student cannot claim the childcare element because they are studying - only if they are working as outlined above. However you can get help with all your childcare costs (up to the maximum limits), not just childcare costs while you are working.

STUDENTS AND TAX CREDITS

How much is the childcare element worth?

You can get 70% of eligible childcare costs up to a maximum of £175 for one child and £300 for two or more children (ie up to £122.50 or £210 per week). For more information about this see CPAG in Scotland's factsheet 'Childcare, tax credits and other help'.

If you receive student funding for childcare, this is disregarded as income for tax credits, but you should notify HMRC that you get it. You cannot claim the childcare element for costs covered by a grant paid direct to the childcare provider. If the grant is paid to you, it is arguable that you can still claim childcare costs in full for tax credits purposes, but you may need to request a mandatory reconsideration and then appeal.

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 Employability fund courses.

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 universal credit 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 Skills Development 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.

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.

See also CPAG in Scotland's factsheet *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 £16,105. 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, childcare grant, 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 professional and career development loan may also be taken into account as income. This is very different to means-tested benefits, where most student support is taken into account as income. What this means is that lone parent students can in many cases get maximum CTC throughout the year, even though they usually only get the maximum amount of means-tested benefits during the summer vacation.

Fiona's tax credits

Fiona's 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).

Fiona's maximum CTC for her two children is £117.18 per week. Her income for tax credits is £1,305 lone parents' grant. Her income is compared to a fixed threshold of £16,105. Someone whose income is below the threshold is entitled to maximum CTC. Fiona's income is below the threshold of £16,105, so she gets full CTC of £117.18 a week, usually paid four weekly.

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 (TC600) that accompany the tax credit claim form explain what income is taken into account. You can find these at www.gov.uk/benefits-credits/tax-credits.

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 finalised at the end of the tax year.

- If income in the current tax year is the same as the previous year, or has decreased by up to £2500, or has gone up by no more than £2500, it is based on previous year's income.
- If income has increased by more than £2500 it is based on current year's income less £2500.
- If it has decreased by more than £2500 it is based on current year's income plus £2500.

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 benefits, so she gets maximum CTC. Her income in the current year is £1,305 lone parents' grant so her final award will be based on her previous year's income, as it has gone up by less than £2500.

An increase of up to £2500 from one tax year to the next does not affect an award in 2018/19. 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. However, an increase of more than £2500 will affect an award during the year in which the increase happens, with the first £2500 of increased income ignored.

STUDENTS AND TAX CREDITS

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 annual income has increased by more than £2500, so the tax credit award will be reassessed based on income of £19,500 (£22,000 - £2500 increase disregard).

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, eg, they move out of home, claim benefits in their own right, leave full-time education or approved training (see above, *Parent claiming for a student*)
- Your hours of work drop below 16, 24 or 30 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 £2500 more than the previous tax year
- Your annual income falls by more than £2500
- Someone in your family starts or stops getting disability living allowance or personal independence payment
- You start working or your working hours increase, particularly if they increase to 30 or more per week
- Your child continues in full-time non advanced education beyond 31 August after their 16th birthday. You should notify them at the the start of each academic year.

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 one month.

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've paid you too much tax credits* explains what you can do if you have been overpaid tax credits. This is available at www.gov.uk/benefits-credits/tax-credits.

If you think you have not been overpaid, or that the amount is wrong, then you should request a review (mandatory reconsideration) on form WTC/AP within 30 days, then appeal within one month of notification of the outcome if you are still unhappy. If you have done this, recovery should be suspended pending the outcome of the reconsideration/appeal.

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 from a previous year should be limited to either 10% or 25% of your total award. In-year overpayments may be taken back more quickly.

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 or stopping her ongoing payments for the rest of the tax year. 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. From the following April recovery is limited to 10% of the ongoing award.

The Tax Credit Office may decide not to recover part/all of the overpayment if it was caused by a mistake on the part of HMRC, and you have done everything expected of you.

You should complete form TC 846 'Tax Credits Overpayment' if you think that this applies.

If repaying the overpayment could cause you and your family hardship you can ask for the length of time for recovery to be extended.

Finally, you can complain about the administration of tax credits. This should be to the tax credits customer service adviser (send to Tax Credit Office, Preston BX9 1ER) 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 factsheet *Tax credit overpayments*.

GOING ABROAD / OVERSEAS STUDENTS

To be eligible to claim tax credits, you have to be present and ordinarily resident in the UK. For CTC only you must also usually have been in the UK for 3 months before you can claim (but there are exceptions) and 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. For more information see CPAG in Scotland's leaflet *Tax Credits for people from abroad*.

CHILD POVERTY ACTION GROUP IN SCOTLAND

Advice line for frontline advisers and support workers
0141 552 0552
Monday – Thursday 10am – 4pm; Friday 10am – 12 noon

Email: advice@cpagscotland.org.uk

CPAG in Scotland 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.

FURTHER INFORMATION

- CPAG in Scotland's Benefits for Students Project go to www.cpag.org.uk/scotland/students-and-benefits-project
- CPAG in Scotland's free online Benefits for Students in Scotland Handbook go to www.onlinepublications.cpag.org.uk
- View our full range of factsheets online at: www.cpag.org.uk/scotland/factsheets
- CPAG publishes the Welfare Benefits and Tax Credits Handbook, a comprehensive guide to benefits and tax credit for claimants and advisers. Find out more at: www.cpag.org.uk/bookshop
- We run a wide range of training courses on students and benefits for workers of different levels of experience. Find out more at: www.cpag.org.uk/scotland/training
- Follow us on Twitter [@CPAGScotland](https://twitter.com/CPAGScotland)

HM Revenue and Customs

Tax credit helpline 0345 300 3900, text phone 0345 300 3909

**CHILD
POVERTY
ACTION
GROUP**
IN SCOTLAND

© Child Poverty Action Group, May 2018

Child Poverty Action Group is a charity registered in England and Wales (registration number 294841) and in Scotland (registration number SC039339). Company limited by guarantee registered in England (registration number 1993854). Registered office: 30 Micawber Street, London N1 7TB

CPAG in Scotland's Benefits for Students Project is funded by the Scottish Government.