

Lone parents and tax credits



April 2017

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 hard-up families get the financial support they need.

Lone parents and tax credits is one of a series of Child Poverty Action Group in Scotland leaflets giving guidance to advisers and those working with families in Scotland about aspects of the tax credit system of particular concern.

Introduction

There are two types of tax credit; *child tax credit* and *working tax credit*. You claim them together and may get either or both. Tax credits are administered by Her Majesty's Revenue and Customs (referred to as HMRC in this leaflet).

Tax credits are gradually being replaced by universal credit. If you are currently getting tax credits, you can continue to get them unless you make a claim for universal credit, and will be able to renew your claim until you are transferred onto universal credit. The process of transferring most people from tax credits to universal credit is planned to happen between 2019 and 2022. See [Tax credits: moving on to universal credit](#) for more information.

Child tax credit (CTC)

To qualify for child tax credit you must:

- be at least 16 years old;
- be responsible for a child (or children); and
- pass the residence and immigration tests.

Who counts as a child

Generally, a child or young person qualifies as long as s/he is:

- aged under 16, and up to 31 August after the child's 16th birthday; or
- aged under 20 and in full-time non-advanced education or approved training (must have started or been accepted on course before age 19).

Non-advanced education is study below the level of degree, HND or HNC, and includes standard grades, Highers and advanced Highers, SVQ up to level 3 and National Certificates.

In order to be full-time, the course must be more than 12 hours a week during term time.

Approved training courses are known as Employability Fund activity, but only if the training is not provided by a contract of employment.

If you have separated from your partner and the child lives with both of you in a shared care arrangement, you can decide between you who should claim for the child. If you cannot agree and you both claim for the same child, HMRC will decide who has the main responsibility for the child.

Working tax credit (WTC)

As a lone parent, if you are normally working 16 hours or more a week, you are entitled to working tax credit as well as child tax credit. This can be working as an employee or self-employed.

Childcare element

As a lone parent working 16 or more hours a week, you can claim help with childcare costs through working tax credit. The amount you can get is only 70% of your actual costs, up to a maximum limit, so your childcare costs are never covered in full. If you are not working at least 16 hours a week, there is no help with childcare available through tax credits. The childcare must be provided by a registered childcare provider. For more information, see CPAG in Scotland's leaflet [Childcare, tax credits and other help](#).

Claiming tax credits

You claim child tax credit and working tax credit on the same form, TC600. This is available from the Tax Credits Helpline (0345 300 3900, textphone 0345 300 3909). HMRC sends you a form to renew your claim from April each year.

As long as you are a lone parent, you make a single claim for tax credits. If you become part of a couple, you must tell HMRC. Your single claim ends and you must make a new claim as a couple with your new partner. A new claim can only be backdated 31 days.

If you are already getting child tax credit and you start work, you must report this change in order to start getting working tax credit. An increase due to a change of circumstances can only be backdated one month.

How much tax credit

Child tax credit awards are made up of a number of elements relating to your children. A family element of £545 a year is payable if you are responsible for a child born before 6 April 2017. The child element is £2,780 a year per child (but see *Two child limit* below), although you may get less than this because of your income, or more, depending on your children's circumstances.

Additional elements apply depending on whether any child has a disability. You can continue to get your maximum child tax credit with an income of up to £16,105 a year. There is no upper income limit so you may still be entitled to some child tax credit on a substantially higher income, especially if you have a large family, disabilities or childcare costs.

Working tax credit awards are made up of a number of elements relating to your circumstances. The basic element (£1,960 a year) plus the lone parent element (£2,010 a year) works out as £76.16 a week, but you may get less than this because of your income, or more, depending on your circumstances. Additional elements can apply depending on childcare costs, your age, how many hours you work and whether you are disabled. You get your maximum working tax credit with an income of up to £6,420 a year.

Adding together the CTC and WTC elements for your circumstances gives you the maximum tax credits award, but the amount you receive depends on your income in a complete tax year (from 6 April to 5 April). For more information see CPAG in Scotland's leaflet [Tax credits – the basics](#).

Two child limit

You might not receive the child element for a child born on or after 6 April 2017 if you already have two or more children included in your tax credits claim. There are exceptions so that a child element is payable in the following circumstances:

- multiple births – you receive a child element for all children in a multiple birth, except for one if you already have two or more children;
- adoption in the UK;
- family/friend carer for a child who is unable to live with his/her parents and would otherwise be at risk of being in local authority care;
- a child whose parent is a child or young person for whom you are receiving child tax credit; or
- a child likely to have been conceived as a result of rape or in a controlling/coercive relationship and you are not living at the same address as the perpetrator at the time the exception applies.

A child element is payable for all children born before 6 April 2017.

If an older child leaves the household or no longer qualifies, an element can become payable for a child born on or after April 2017 so that there are two children included in the claim.

The disabled child element is still payable for a third or subsequent child born on or after 6 April 2017, even if the basic child element is not payable. You can still claim childcare costs for a third or subsequent child born on or after 6 April 2017.

Child tax credit and benefits

If you are claiming child tax credit for your children and you are not in work, you may be able to claim one of the following benefits for yourself:

- Income support (IS) if you are:
 - a lone parent with a child under 5; or
 - a carer of a disabled adult or child; or
 - in some other limited circumstances.
- Income-based jobseeker's allowance (JSA) if you are able to work, available for work and looking for work - you are allowed some flexibility due to caring responsibilities or availability of childcare.
- Income-related employment and support allowance (ESA) if you are sick or disabled.
- Pension credit (PC) at some point around your 64th birthday (the age at which you can claim is gradually increasing to 65 in November 2018).

As long as you are getting any one of these benefits, your income level does not affect your child tax credit and you are automatically entitled to your maximum amount, but see page 6 if an overpayment is being recovered. If your benefit stops, you should tell HMRC.

Changes in circumstances

If your circumstances change, you should notify HMRC. In particular, if a partner moves in to live with you, your single person claim ends and you must make a new claim as a couple. This also applies if you get married or register a civil partnership, even if you are not living together. The new award may be for a lesser amount and can only be backdated 31 days so it is very important to report this change immediately to avoid an overpayment or a penalty. If your relationship ends and you go back to being a lone parent, you must also report this change and you can make a new claim as a single person in the same telephone call.

Other changes which you must report include:

- You stop working at least 16 or 30 hours a week.
- You stop being responsible for a child.
- A young person leaves full-time non-advanced education.

HMRC has the power to impose a £300 penalty if you fail to notify one of the changes that you must report within one month, or up to £3,000 may be imposed for making incorrect statements in a tax credits claim. If this happened when you were part of a couple, a joint penalty may be imposed on you and your ex-partner. You may be able to avoid a penalty if you did not know and could not reasonably have known that your ex-partner had given incorrect information. You can request a review then appeal against a decision to impose a penalty.

Starting and stopping work

If you are starting work of 16 hours a week or more, adult benefits usually stop, but you may still be entitled to some housing benefit. You will continue to receive child tax credit and may also start to receive working tax credit as well. You do not need to fill in a new claim form but you must notify HMRC that you have started work of at least 16 hours a week. The amount of child tax credit you receive will only be reduced after you have earned more than £16,105 in a complete tax year.

If you stop work, you must notify HMRC and you will be entitled to a four week run-on of working tax credit. If you stop work due to illness or go on maternity leave, you can still be entitled to working tax credit for a limited period. If you go back onto income-based benefits, you will be entitled to maximum child tax credit.

Other changes

There are other changes which do not carry the risk of a penalty but which it is in your interest to report. These include where a child joins the household (for example the birth of a new baby) and where a child loses or gains entitlement to disability living allowance.

Where changes of circumstances increase your maximum entitlement (because you would become eligible for additional elements) it is important to report these as soon as possible because the increase can usually only be backdated for up to one month.

Where changes decrease your maximum entitlement (eg, where a child loses entitlement to the disability element) it is important to inform HMRC to avoid an overpayment building up.

HMRC has a checklist of the circumstances it expects you to confirm and report. *Check your tax credits award notice*, [TC602\(SN\)](#) is sent with award notices and is also available on HMRC's website. Please also see CPAG in Scotland's leaflet, [Tax credits and reporting changes](#) for more information.

Maintenance

If you receive maintenance for your children or yourself, this does not affect your tax credits. All child maintenance is ignored as income for tax credits, means-tested benefits and universal credit. Spousal maintenance is ignored for tax credits but counts as income for means-tested benefits and universal credit.

Overpayments

Overpayments of tax credits are common, especially due to relationship changes (see above). An overpayment happens if you are paid more tax credits than you are entitled to for the year. This is likely to happen if you fail to report a change of circumstances immediately, or if HMRC makes a mistake. You will usually be asked to pay back the money, unless you can show that you claimed correctly and HMRC was at fault. HMRC usually recovers the overpayment from you by deductions from your ongoing award of tax credits. If you are no longer getting tax credits, they will ask you to repay in a lump sum or you can ask to pay in instalments.

If an overpayment arose when you were part of a couple but are now single, HMRC should ask you and your ex-partner to each repay no more than 50% of the amount owed. You can ask for the amount to be reduced if it is causing you financial hardship, or make a complaint if you do not feel HMRC has acted fairly.

For more information about overpayments and how to challenge them, see [Tax credit overpayments](#).

'Undisclosed partner' investigations

If you are receiving tax credits as a lone parent, HMRC may investigate your claim if it suspects that you have a partner and you are living together as a couple. You may be asked to provide further information to prove that you are not living with a partner. Your payments may be suspended if you do not provide the information, or reply to explain why the information cannot be provided, within 30 days. If HMRC has reasonable grounds for believing that you are not entitled to claim as a single person, it may decide to terminate your claim, leading to an alleged overpayment. You have the right to request a mandatory reconsideration of the decision to terminate your claim. HMRC's target to deal with a mandatory reconsideration is 42 days. If the decision is not changed in your favour, you have the right to appeal to the First-tier Tribunal. There have been several important Upper Tribunal decisions, which are critical of HMRC's approach in these cases and are binding on HMRC decision-makers and First-tier Tribunals, including:

- HMRC must have reasonable grounds to terminate your award as a single claimant and provide evidence of this ([SB v HMRC \[2014\] UKUT 543](#));
- Your claim should not be terminated just because you have failed to provide evidence that you could not reasonably have been expected to provide ([SS v HMRC \[2014\] UKUT 383](#));
- You may be able to claim as a single person if your relationship has ended, even though your former partner is still living under the same roof ([DG v HMRC \[2013\] UKUT 631](#)).

Further information and advice

Child Poverty Action Group in Scotland

0141 552 0552 advice line for advisers on benefits and tax credits,
Monday to Thursday 10am to 4pm, Friday 10am to 12 noon

Email: advice@cpagscotland.org.uk

email advice for advisers on benefits and tax credits

Website: www.cpag.org.uk/scotland/taxcredits

for more tax credit leaflets from CPAG in Scotland

CPAG publishes the *Welfare Benefits and Tax Credits Handbook*, a comprehensive guide to benefits and tax credits for claimants and advisers.

CPAG in Scotland's advice line is only for advisers. If you are having problems with your own tax credit or benefit claim and are in need of advice you should contact your citizens advice bureau or other local welfare rights service.

HM Revenue and Customs

Tax Credit Helpline 0345 300 3900
(textphone 0345 300 3909)

Website: www.gov.uk/benefits-credits/tax-credits

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