

Factsheet

For single parents in England and Wales April 2017

Freephone

0808 802 0925

Gingerbread Single Parent Helpline

Tax credits when your circumstances change

This factsheet explains what happens to your tax credits when your circumstances change. It explains how to make sure you receive the correct amount of tax credits and what to do if you have been paid too much.

For more information on tax credits and other benefits contact the Gingerbread Single Parent Helpline on 0808 802 0925. Calls are free.

The information in this factsheet is for the current tax year, April 2017-April 2018.

Universal credit is a new benefit system that is replacing many of the current benefits and tax credits over the next five years. Some families with children who are claiming benefits or tax credits for the first time in selected areas must now claim universal credit instead of tax credits. For more information on universal credit and how it may affect your family you can visit the [Gingerbread](#) website.

How are tax credits calculated?

Tax credits are calculated by Her Majesty's Revenue and Customs (HMRC) for the whole of the tax year, which runs from April to April. The amount you receive is usually based on your income in the previous tax year, April 2016-April 2017. The current tax year is April 2017-April 2018.

This means that HMRC estimates the amount of tax credits you should receive at the start of the tax year, using your income from the previous year. At the end of the tax year, you are asked to renew your tax credits and confirm your income for the last year. It is only when you confirm your actual income that HMRC can work out whether you have been paid the correct amount of tax credits.

See page two for what to do if your income this tax year is very different from your income last tax year.

How do changes in your circumstances affect tax credits?

If you do not tell HMRC about changes in your income or other circumstances during the tax year, they will not know until the end of the year how much you should have been paid in tax credits.

This means you could have received too much in tax credits (an overpayment) or not received enough (an underpayment).

Some changes in your circumstances **must** be reported (see below). Other changes should be reported so that you do not miss out on money you are entitled to, or build up an overpayment (see page six for more details about overpayments).

If the change means that you should get more tax credits, the increase can be backdated for up to one month. If the change means your tax credits are reduced, your tax credits will be reassessed from the date the change happened.

Which changes must you report?

The following changes must be reported within one month, otherwise you may have to pay a penalty. You must tell HMRC if you:

- Stop being part of a couple
- Become part of a cohabiting couple (including same sex couples)
- Leave the UK for more than eight weeks – your tax credit claim will end and you will need to make a new claim when you return
- Lose the right to stay in the UK

- Stop paying for childcare, or your childcare costs reduce by £10 a week or more for at least four weeks in a row – see “changes in childcare costs” on page five
- Stop working at least 16 or 30 hours a week
- Stop being responsible for a child or young person you are claiming for, or the child or young person no longer qualifies for support. For example, because a young person over 16 leaves full-time education, or if a child dies.

To avoid being underpaid or overpaid, you should also tell HMRC within one month if:

- You change your job and there is a gap between finishing that job and starting the next one
- You expect your income for the current tax year to be more or less than your income last tax year
- A child you are responsible for becomes disabled, or stops being disabled
- You have a baby or another child comes to live with you.

How to report changes to your circumstances

You can report any changes in your circumstances to HMRC in three ways:

- **Online:** You can now manage your tax credits online, including to report changes to your circumstances, and to see how much and when you will be paid. This can be done through HMRC’s tax credits digital service (www.gov.uk/manage-your-tax-credits).
- **Telephone:** You can report any changes via the tax credit helpline on 0345 300 3900.
- **In writing:** You can also report changes in writing. Send to: Change of circumstances, Tax Credit Office, Preston, PR1 4AT

Changes in income during the tax year

Changes in your income can affect the amount of tax credits you are entitled to. If your income changes, you should tell HMRC to avoid being underpaid or overpaid.

If you report a change in your income during the tax year, your tax credits can sometimes be changed to reflect these changes rather than being based solely on your income in the previous tax year. If you have further changes and your tax credits are already based on the current year’s income, you need to report the change straight away to avoid being overpaid or underpaid.

If your income goes down

If your income goes down by £2,500 or less compared to the previous tax year

HMRC ignore any drops in income under £2,500. If you have no other change of circumstances your tax credits will not change in this tax year.

If your income goes down by more than £2,500 compared to the previous tax year

You can report the change and your tax credits may increase. HMRC will ignore the first £2,500 of the drop in income. This means that they will calculate your tax credits on the current year income plus £2,500. See Karolina’s example on the right.

Example:

Income goes down by less than £2,500

Ravi earned £17,000 last year (April 2016 to April 2017) but his income has gone down, and this year (2017/18) he expects to earn £15,000.

Ravi asks HMRC to base his tax credits on his income this year (2017/18), as it is less and he expects to get higher payments.

As his income is going down by less than £2,500, HMRC will still base his tax credits on last year’s income of £17,000. His tax credits will stay the same.

Example:

Income goes down by more than £2,500

Karolina earned £13,000 in the last tax year (April 2016 to April 2017) but her income has gone down, and this year she expects to earn £9,000 (2017 /18).

Karolina asks HMRC to base her tax credits on her income for this year (2017 /18), as it is less and she expects to get higher payments.

As her income has gone down by £4,000, which is more than £2,500, her tax credits will be changed.

Her tax credits will be based on an income of £11,500, as they will add £2,500 to this year’s lower income (£9,000 + £2,500 = £11,500).

If Karolina’s income changes again she must tell HMRC within one month to avoid being overpaid.

Remember that if your hours of work drop below 16 hours a week you may no longer be entitled to working tax credit. You **must** tell HMRC straight away.

To discuss your options call the Gingerbread Single Parent Helpline free on 0808 802 0925.

Tip: If your income reduces, you should also check to see if you are entitled to receive other benefits such as housing benefit.

If your income goes up

If your income goes up by less than £2,500 compared to the previous tax year

If your income increases by less than £2,500 compared to the last tax year this is ignored and does not affect the amount of tax credits you are paid for this tax year. However, this rule does not apply if your tax credits are based on your income in the current tax year (April 2017-April 2018), see below.

You should tell HMRC if your income increases by more than £2,500 compared to the previous tax year, otherwise you'll be overpaid tax credits.

Example: An increase in income

Claire was unemployed for all of the last tax year April 2017-April 2018, and claimed jobseeker's allowance. Claire renews her tax credit claim in April 2018 and receives the maximum amount because her only income in the previous year was jobseeker's allowance.

In May 2018, Claire finds a new job that pays her £18,000 in this tax year. As her income for this tax year has increased by more than £2,500 compared to the previous tax year, she tells HMRC straight away to avoid an overpayment.

As HMRC can ignore an increase of up to £2,500, Claire's tax credits will be based on an income of £15,500 (£18,000 minus £2,500).

If her circumstances change again she must tell HMRC within one month to avoid being overpaid.

It is important to tell HMRC straight away if your income increases again during the tax year. This is because the rule that allows an increase of income of £2,500 or less to be ignored does not apply if your tax credits are already based on your income in the current tax year.

Example: Income increases again in the same tax year

Claire has been working in her new job since May 2018. Her tax credits have been altered because her income in the current tax year will be more than £2,500 higher than her income in the previous tax year.

In November 2018, Claire gets a promotion at work. Her wages increase to £20,000 a year. She must tell HMRC within one month of the increase to avoid an overpayment.

Changes in working hours

If your hours go down

If your normal working hours drop below 16 a week, for four weeks in a row, you are no longer entitled to working tax credit. You should tell HMRC about the change as soon as possible to avoid being overpaid. The rules state that you must report the change within one month, but it is best to report quickly as you could end up with an overpayment that will have to be paid back if you take this long to report the change.

You should also tell HMRC if your hours of work drop below 30 a week for four weeks in a row. This is because you are paid an extra element in your working tax credit for working 30 hours a week. You will be overpaid if you do not report this change.

If your hours of work have dropped below 16 a week, you may be able to get other benefits or increased amounts of benefits that you already receive. Contact the Gingerbread Single Parent Helpline to find out more.

If your hours of work increase

You should tell HMRC if your hours of work increase as a change in your income of more than £2,500 a year will lead to a change in your tax credits.

You should also tell HMRC if your hours of work increase to more than 30 per week. There is an additional 30 hour element payable if you work more than 30 hours per week.

For more information about the 30 hour element see our factsheet [Benefits and tax credits if you work 16 hours a week or more](#).

If you do not tell HMRC about these changes you may be overpaid or underpaid tax credits.

If your hours of work vary

If your hours of work vary so that you are not sure whether or not on average you work less than 16 hours a week, or less than 30 hours a week, contact HMRC or get advice from one of the agencies listed at the end of this factsheet.

Changes in your family

Separating from a partner

If you were claiming tax credits as a couple, you must tell HMRC within one month that you have separated. If your household income has gone down it is likely that you will be entitled to more tax credits, which could include help with childcare costs.

If a member of your family is disabled

You may be entitled to an extra amount of child tax credit or working tax credit if either you, or a child in your family, have a long-term sickness or disability.

In order to claim this you will need to show HMRC that you or your child is in receipt of qualifying benefits. Examples of qualifying benefits include disability living allowance, employment and support allowance and personal independence payment. Call our helpline if you need further advice on tax credits and qualifying benefits.

If you, or your child, receive a disability element you must tell HMRC about any change in circumstances that may affect this. For example, you should tell HMRC if your child stops receiving disability living allowance.

Becoming responsible for a child

If you become responsible for a child, for example because you have a new baby or a child comes to live with you, you'll need to tell HMRC about the new child and you will need to check whether you will be entitled to an extra amount of child tax credit.

If you are no longer responsible for a child

If you are no longer responsible for a dependent child or young person because they no longer live with you or have left full-time non advanced education (see below), you must report this change within one month.

It is likely that your tax credits will go down, as you will lose an amount for that child. If you do not have any other dependent children and are not receiving working tax credit, you may no longer be entitled to tax credits.

If your child is aged 16 to 19

Child tax credit

Child tax credit usually ends on the 31 August following your child's 16th birthday. You can continue to get child tax credit until your child is aged 20 if they stay at school, take up full-time non-advanced education (such as A-levels or a GNVQ), or undertake certain types of training.

If your child leaves school but they are under the age of 18, you can continue to claim child tax credit for up to 20 weeks if they are registered for work or training with a careers service.

If your child is staying in education or training you need to report this, and you'll also have to provide evidence.

The table shows when your child tax credit will stop:

Situation	Child tax credit stops
Your child leaves school at 16 and is not in full-time education or training	On the 31 August following their 16th birthday.
Your child is aged 16 to 18, has left education and has registered for work or training with a careers service.	20 weeks after they leave education.
Your child is aged 16 to 20, has left education and has not registered for work or training.	On their last day of non-advanced education or training.
Your child is aged 16 to 19 and in full-time non-advanced education (eg A-levels or GNVQ), or approved training.	On their 20th birthday or when they finish full-time non-advanced education or training, whichever is sooner.
Your child is aged 16 or over and is working full-time or claiming work-replacement benefits (eg income support) in his or her own right.	Once they start work or claim benefits.

Working tax credit

Your working tax credit may also change when your youngest child turns 16 or leaves education.

For the time when your youngest child continues to qualify for child tax credit, you only need to work a minimum 16 hours a week to qualify for working tax credit. However, once your youngest child stops being eligible for child tax credit, you must work at least 30 hours a week to continue to get working tax credit, unless you have a disability and receive the disability element, or are over the age of 60.

To find out more about changes to your benefits and tax credits when your children leave education call the Gingerbread Single Parent Helpline on 0808 802 0925.

Changes in childcare

If you are claiming help with your childcare costs through working tax credit you must tell HMRC if you stop paying childcare costs, or your costs go down by £10 or more a week for four weeks in a row. You will be overpaid if you do not report the change and may have to pay a penalty if you do not tell HMRC within one month.

If you start to pay for childcare costs, or your costs increase by £10 or more a week, your tax credits will increase from the date of the change if you report it within a month. You should also tell HMRC if you change childcare provider, and they may check with the provider named on the form to see if the details are correct.

Working out changes in childcare expenses

When working out changes in your childcare costs, you should use the method you used to work out your childcare costs when you completed your tax credit claim or renewal form. The information below applies to increases in your childcare costs during the tax year. You should also report any changes in childcare costs when you renew your tax credits.

If you are paying a fixed weekly amount

If you pay a fixed weekly amount for childcare, you must tell HMRC if this amount goes up or down by £10 a week or more for at least four weeks in a row. If you do not report this change in circumstances you may be underpaid or overpaid tax credits.

If the amount you pay varies

If the amount you pay for childcare varies from week to week, it is likely that you (or HMRC) calculated the average amount that you would pay over 52 weeks.

To see how much your childcare costs will change, calculate your new costs for the next 52 weeks and compare this to your previous estimate. If the average changes by £10 a week or more (that is, by more than £520 in a year), your tax credit entitlement changes.

If you use more childcare in the school holidays

If you only use childcare during the school holidays, or you use more childcare during this time, you have two options for receiving the extra tax credits you may be entitled to. In both cases, your childcare costs must increase on average by at least £10 a week for four weeks in a row.

Option one:

Receive the extra payment spread equally over 52 weeks.

If you know what your childcare costs are in advance, you can have the extra amount that you pay in the school holidays spread out over 52 weeks. This means that the amount you receive in your weekly (or four weekly) working tax credit payment increases by a smaller amount throughout the whole tax year. The advantage of this option is that you can receive help with extra childcare costs for school holidays that are less than four weeks long.

Option two:

Receive the extra payment when paying most for childcare.

You can receive an increase in the childcare element of your working tax credit only during the period in which you pay extra childcare costs. This is useful if you do not know in advance what your childcare costs will be during the school holidays or if you find it difficult to save part of your working tax credit to pay for school holiday childcare. The disadvantage is that you can only request more money for childcare if your costs increase by £10 a week or more for at least four weeks in a row. This means that you may not be able to claim extra working tax credit for childcare used in shorter school holidays, such as half term breaks.

Example:

Extra childcare cost in the school holidays

Megan has one son, Rhys, aged six. Megan pays for a childminder to collect Rhys from school, which costs £40 a week. During the school summer holidays, the childminder looks after Rhys for four full days a week, which costs Megan £160 a week. During the shorter holidays, Megan's family helps out with childcare.

This means that Megan pays for 39 school weeks of childcare a year at £40 a week and six weeks of summer holiday childcare a year at £160 a week.

£40 x 39 weeks =	£1,560
£160 x 6 weeks =	£960
Megan's total yearly childcare cost =	£2,520

Megan has two options for claiming working tax credit for the extra amount of childcare she needs in the school holidays: receive the extra payment equally over 52 weeks or just when she is paying most for childcare.

Overpayments

It is very important to avoid building up an overpayment because once HMRC become aware there has been an overpayment, your tax credits can be significantly reduced, or even stopped completely until the overpayment has been repaid.

If there has been an overpayment HMRC will write to you and inform you of the overpayment and the type of reduction that will be applied to your tax credits.

If you think HMRC's decision is wrong you can ask for a 'mandatory reconsideration'. There is a form and instructions on how to do this available at: www.gov.uk/tax-credits-overpayments/dispute-form-tc846

If you don't agree with the mandatory reconsideration decision, you can challenge this decision too. This is called an appeal. More information and an appeal form is available at www.gov.uk/social-security-child-support-tribunal/appeal-tribunal

Hardship and overpayments

If your tax credits have been reduced by so much that you cannot afford to pay for your essential living expenses such as electricity, gas or rent, you can request a longer time to repay the overpayment. You can make the request by calling the HMRC Payment Helpline on 0345 302 1429.

If you are given longer to pay it is important to remember that you will still experience some reduction in your tax credits until the overpayment has been repaid.

Further help and information

Gingerbread Single Parent Helpline

Freephone 0808 802 0925

www.gingerbread.org.uk

Provides free, confidential advice for single parents. No matter the challenge – around your finances, contact arrangements or help you could receive – our trained advisers are here with tailored advice that works for you.

One Parent Families Scotland Lone Parent Helpline

0808 801 0323

www.opfs.org.uk

Run by our partner organisation, One Parent Families Scotland, the Lone Parent Helpline provides free, confidential advice and information for single parents in Scotland.

Child Maintenance Options

0800 988 0988

www.cmoptions.org

Information about making arrangements for child support.

Citizens Advice

www.citizensadvice.org.uk

England: 03444 111 444

Wales: 03444 77 20 20

Information and advice on a wide range of issues including benefits and tax credits.

Civil Legal Advice

0345 345 4345

www.gov.uk/civil-legal-advice

Telephone advice on benefits, housing, employment, debt, welfare benefits and family law for people who are eligible for public funding.

Jobcentre Plus

0800 055 6688 For new benefit claims

0345 608 8545 To report a change in circumstances

Office of the Immigration Services Commissioner

0345 000 0046

www.oisc.gov.uk

For information on organisations/solicitors that give immigration advice.

Refugee Council

www.refugeecouncil.org.uk

Provides advice and information to refugees and asylum seekers.

Tax Credit Helpline

0345 300 3900

0345 300 3909 (Textphone)

For information about tax credits and to request claim forms.

Working Families

0300 012 0312

www.workingfamilies.org.uk

Advice on benefits and employment rights.

More from Gingerbread

The following related Gingerbread factsheets for single parents are also available:

- > [Benefits and tax credits if you work 16 or more hours a week](#)
- > [Claiming income support and other benefits.](#)

Download them from our [website](http://www.gingerbread.org.uk) or call 0207 428 5400 to request them.

Become a Gingerbread member

Membership is available to single parents in England and Wales. Join a community of thousands of single parents who benefit from mutual support, free advice and information. You can also meet other single parents at one of our local support groups.

Visit our [website](http://www.gingerbread.org.uk), call 0800 018 4318 or email membership@gingerbread.org.uk

Gingerbread

Single parents, equal families

Gingerbread, the charity for single parent families, is registered in England and Wales as a company limited by guarantee, no. 402748, and a registered charity, no. 230750. The Gingerbread Single Parent Helpline is supported by the Department for Education, HMRC, The Big Lottery and other funders and is accredited by the Helplines Partnership.



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