



# B&C Consultation Update

Your latest news from Benefits and Credits

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## 1

### **Summer Budget 2015: what it means for customers**

We'll be making a number of changes following the Summer Budget 2015 presented by the Chancellor of the Exchequer on 8 July.

The Summer Budget announcement said it: "ensures that the welfare system is fair to taxpayers while supporting the most vulnerable, and builds an economy based on higher pay, lower taxes and lower welfare".

The government will make the tax credits system fairer, by improving the powers it has to recover tax credits debts. You can read a fuller [HMRC overview of the main Summer Budget announcements](#) on GOV.UK. For full details of all announcements please refer to the [Summer Budget 2015](#).

Benefits and Credits customers may be affected by several changes.

### **Four-year freeze on benefits for people of working age**

Benefits paid to people of working age, including certain elements of Working Tax Credit (WTC) and Child Tax Credit (CTC), plus Child Benefit, will not be increased in line with general price rises in the UK for four years.

This freeze takes effect from 6 April 2016 and does not apply to the disability elements of WTC and CTC, which go to those who need them most.

## Changes to earnings limits for Working Tax Credit

From 6 April 2016, the government is reducing the £6,420 income threshold for receiving the maximum WTC. The taper rate reduction, for working out payments to those earning above that, is increasing.

Currently, if someone is entitled to WTC, on its own, or as well as CTC, and the family's annual income is £6,420 or less, they get the maximum amount of tax credits. If the family income is more than that, the amount paid goes down by 41 pence (or 41%) for every £1 of income over that threshold (rounded down to the nearest penny), as long as they still qualify.

From 6 April 2016, if someone qualifies for WTC, on its own, or as well as CTC, they'll only get the full amount if their family's annual income is £3,850 or less. If the family's income is above that, but they still qualify for WTC, the amount they'll get will reduce gradually by 48 pence or (48%) for every £1 of income over the threshold (rounded down to the nearest penny).

Because of these changes, the upper earnings limit for receiving CTC will also reduce, from £16,105 to £12,125 as it is based on other boundaries in the tax credits system.

## Smaller increases in income before tax credits are affected

The government is reducing the amount of extra income that claimants can earn before it affects their tax credits. Currently, claimants can earn an extra £5,000, compared to their previous year's income, and their tax credits will remain the same.

This is known as 'the income rise disregard'.

From April 2016, this amount will be reduced to £2,500. When a claimant's income rises by more than this new amount, we'll recalculate their award, ignoring only the first £2,500 of the increase.

This change brings forward some of the benefits of Universal Credit, where entitlement to benefits is worked out more accurately, by using earnings figures for the current tax year.

It also aligns the income rise disregard to the same amount that we use for calculating tax credits payments when a claimant's income falls.



## Child Tax Credit support limited to two children

The support is calculated in two parts and both are changing. The child element that goes to make up CTC will be limited to two children for each family from 6 April 2017. This will apply where a family has a third or subsequent child born on or after this date.

The basic family element of CTC, currently worth up to £545 a year, will be removed. This change will apply to families whose first child is born after the start date.

However, the government announced that there will be certain circumstances where the new limits will not apply:

- multiple births will be treated as a single birth, for the purposes of this policy
- third or subsequent disabled children born on or after 6 April 2017 will still receive the disabled child element (currently £3,140) and the CTC severely disabled child element (currently £4,415), although they will not qualify for the general child element. This recognises that a family could not have known of a disability before deciding to have a child and protects those who need it the most
- we're working with the Department for Work and Pensions to develop a legal exception which will protect women who have a third child as the result of rape and consider other exceptional circumstances, such as abusive relationships.

## **Cross award recovery – recovering debt from any tax credits award**

From November 2015, to increase and improve our recovery of any tax credits debt, we're making changes to our tax credits IT system.

This will mean we can recover any overpayments of Working Tax Credit (WTC) from payments of Child Tax Credit (CTC), and any overpayments of CTC from payments of WTC.

At present, in some circumstances, the IT system doesn't allow us to recover debt across the tax credits awards.

Read about our other methods of debt collection in our new [Issue briefing: Direct Recovery of Debts](#)

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## **2**

### **Tax-Free Childcare**

We've resumed our work in preparing to launch Tax-Free Childcare from early 2017. It will be available for up to 1.8 million households to help with the cost of childcare, enabling more parents to go out to work, if they want to, and provide greater security for their families.

The stakeholder implementation advisory forum is communicating with external groups on how we're developing our plans to roll out the scheme. The next meeting of the forum is on Monday 7 September. If you would like any more information about the forum please get in touch via the mailbox [bccg@hmrc.gsi.gov.uk](mailto:bccg@hmrc.gsi.gov.uk)

Tax-Free Childcare was delayed because of a legal challenge to the government's decision to run the scheme with HMRC working in partnership with NS&I. A small group of childcare voucher providers launched the challenge last August. They are involved with the existing Employer-Supported Childcare scheme, which we're replacing with Tax-Free Childcare. The Supreme Court gave its judgment on 1 July, confirming that the government's proposals for running Tax-Free Childcare are lawful.

Employer-Supported Childcare remains open to new entrants until we launch Tax-Free Childcare. Even after our new scheme starts, parents who wish to remain with Employer-Supported Childcare will be able to so, while their current employer continues to offer the scheme.

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## **3**

### **Quarterly operational update: serving our customers**

#### **Processing times**

In the April to June first quarter of 2015, HMRC processed UK tax credits and Child Benefit claims and changes in an average of 16.95 days, well ahead of the 22 day target.

We processed:

- tax credit claims in 24.13 days
- tax credit changes in 11.34 days
- Child Benefit claims in 16.06 days
- Child Benefit changes in 11.60 days.

From April to June 2015, we processed international tax credits and Child Benefit claims and changes in an average of 73.09 days against our target of 92 days.

We processed:

- tax credits international claims in an average of 75.35 days
- tax credits international changes in an average of 8.64 days
- Child Benefit international claims in 77.05 days
- Child Benefit international changes in 67.39 days.

## **Age of cases**

Keeping volumes of old cases as low as possible remains a priority for us. Compared to the same time last year, we reduced the number of outstanding cases by 28.6%. This left us with 50 outstanding cases that are more than 365 days old.

Our figures for the end of June 2015 show:

- tax credits UK: 178 cases more than 90 days old
- tax credits international: 40 cases more than 180 days old
- Child Benefit UK: 239 cases more than 90 days old
- Child Benefit international: 1,280 cases more than 180 days old.

To put the figures into perspective, Child Benefit is generally the first benefit people claim. The number of old cases for Child Benefit international tends to be higher because the checking process for it often involves cross-border correspondence, and this can be affected by delays which are beyond our control.

We continue to strengthen our working relationships with our counterparts in other EU countries, so we can settle customer claims more quickly, wherever possible.

## **Accuracy**

At the end of June 2015 our accuracy rating for combined tax credits and Child Benefit figures was 96.4%, against our target of 97%.

## **Mandatory Reconsiderations and Direct Lodgements**

At the end of June 2015 we had received 25,000 Mandatory Reconsiderations, which we processed in an average of 65.6 days.

In the same period, we received about 1,500 Direct Lodgements from Her Majesty's Court and Tribunal Service and processed them in an average of 24.4 days.

## **Complaints**

We aim to improve the service we provide for customers, by analysing trends in the process to help us pinpoint any major issues.

The majority of complaints we receive are due to overpayments and the action we take to recover these.

We've moved people and trained extra staff to work on new complaints, to help us ensure that we respond to our customers accurately and in good time.

The number of complaints we received for April to June 2015 was 59.6% higher when compared to the same period last year. We're continuing to clear cases efficiently and professionally.

At the end of June 2015, the number of decisions made in the customer's favour (upheld rates) was 36.5%. This is 3% lower than the same period last year.

Due to the higher than expected number of new cases, we dealt with 59.5% of all complaints within 15 working days by the end of June, against our target of 80%.

## **Disputed Overpayment (DOP) cases**

We've reduced our backlog of Disputed Overpayment (DOP) cases from 44,000 at the end of March 2015 to just 8,000 at the end of June.

We achieved this reduction in waiting times for customers by making a determined effort to clear our older work and because the number of new DOP cases fell. We received 44.4% fewer cases by the end of June 2015, compared to the same period last year.

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## **4**

### **How we deal with overpayments when the family changes**

We're looking at how we apply the rules of 'notional entitlement' – for dealing with overpayments when the family changes – following questions raised by stakeholders at the compliance sub-group meeting on 22 June.

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## **5**

### **Improving our tax credits leaflets and factsheets**

We're reviewing our tax credits leaflets and factsheets to see how we can improve them and ensure they continue to meet the needs of customers.

We built up the catalogue over the last decade, with many items containing information for specific issues at the time. We've found some products are used only occasionally, or they repeat information which could be updated or merged into one.

We'll share our proposals for rationalising the leaflets and factsheets with you once we've completed the review, as well as contacting other organisations that represent customers.

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