

HM REVENUE & CUSTOMS

**Annual Report from the Commissioners for Revenue and Customs
to the Treasury on Tax Credits under Section 40 of the Tax Credits
Act 2002**

Presented to Parliament pursuant to Section 40(2) of the Tax Credits Act 2002

January 2015

REPORT REQUIRED UNDER SECTION 40 OF THE TAX CREDITS ACT 2002

Section 40(1) of the Tax Credits Act 2002 (as amended by the Commissioners for Revenue and Customs Act 2005) requires the Commissioners for Revenue and Customs to make to the Treasury an annual Report about:

- The number of awards of each tax credit made in the year;
- The number of enquires conducted under section 19;
- The number of penalties imposed; and
- The number of prosecutions and convictions for offences connected with tax credits.

Section 40(2) requires the Treasury to publish the annual Report and lay a copy before both Houses of Parliament.

The table overleaf shows:

- a) The number of awards of tax credits.

This is based on information processed by 5 April 2014. Not all information for 2013-14 is yet finalised at the time of production of this report. The average number of recipients in the year, based on this final information is planned for publication in May 2015. The figures quoted in this report were published in HMRC's Child and Working Tax Credits statistics for April 2014. The figures include out of work families with children receiving CTC, but does not include families receiving 'family support' through the benefits administered by the Department for Work and Pensions (i.e. Income Support of income based Jobseekers Allowance).

- b) Number of enquiries conducted under section 19.

Section 19 of the Tax Credits Act 2002, allows the Board to carry out enquiries into awards after the end of the year, once they have been finalised. There were 21,046 enquiries conducted in 2013-14. In the previous year (2012-13) there were 67,409 enquiries. The difference between the two years can be explained by the mixture of error and fraud cases and the change in the way they are examined to fit in more closely with HMRC's Error and Fraud Strategy, to identify and correct awards earlier (before the end of the year) preventing an increase in debt and overpayments.

- c) Number of penalties imposed.

15,182 penalties were imposed in 2013-14 for tax credit related offences.

- d) Number of prosecutions and convictions for offences connected with tax credits.

For serious offences, HMRC continues to adopt a policy of selective prosecutions and publicise the results. There were 148 prosecutions and 148 convictions for tax credits in 2013-14.

REPORT REQUIRED UNDER SECTION 40 OF THE TAX CREDITS ACT 2002 FOR THE TAX YEAR 2013-14

	Working Tax Credit (WRC)	Child Tax Credit (CTC)	Total
a) The number of awards of tax credits (thousands)	3,307	4,121	4,687 ¹
b) Number of enquiries conducted under section 19			21,046 ²
c) Number of penalties imposed			15,182

	Prosecutions	Convictions
d) Number of prosecutions and convictions for offences connected with tax credits ³	148	148

¹ Awards with positive amounts for both WTC and/or CTC are included in each of the first two columns but counted only once in the final column. These figures are published in HMRC's Child and Working Tax Credit statistics for April 2014.

² The total figure cannot be broken down into CTC and WTC because a case may involve both. This figure also includes Section 20 enquiries (where an enquiry is made twelve months or more from the end of the relevant tax year). This figure cannot be broken down to show Section 19 separately.

³ The total figure cannot be broken down into CTC and WTC because a case may involve both.