

HM TREASURY

HM REVENUE & CUSTOMS

**2016-2017 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 2018

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 enquiries 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 2017. Not all information for 2016-17 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 2018. The figures quoted in this report were published in HMRC's Child and Working Tax Credits statistics as at 2 April 2017. 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 and 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 21,365 enquiries conducted in 2016-17. In the previous year (2015-16) there were 25,755 enquiries.

- c) Number of penalties imposed.

In 2016-17 there were 13,135 cases where a penalty was imposed for tax credit related offences. This compares with 16,266 cases in 2015-16. HMRC collects data on the number of individual penalties imposed: for 2016-17 there were 14,835 individual penalties, compared with 17,577 in 2015-16. Where a case or award is a joint or household claim, two penalty notices can be given, split equally between the couple (individual penalties).

- 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 publicises the results. There were 271 prosecutions and 264 convictions for tax credits in 2016-17 compared with 241 prosecutions and 238 convictions in 2015-16.

REPORT REQUIRED UNDER SECTION 40 OF THE TAX CREDITS ACT 2002 FOR THE TAX YEAR 2016-2017

	Working Tax Credit (WTC)	Child Tax Credit (CTC)	Total
a) The number of awards of tax credits (thousands)	2,172	3,686	4,121 ¹
b) Number of enquiries conducted under section 19			21,365 ²
c) Number of penalties imposed (cases)			13,135 ³

	Prosecutions	Convictions
d) Number of prosecutions and convictions for offences connected with tax credits	271	264

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 2017.

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.