

HM TREASURY

HM REVENUE & CUSTOMS

**2017-2018 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 2019

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 2018. Not all information for 2017-18 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 by June 2019. The figures quoted in this report were published in HMRC's Child and Working Tax Credits statistics in June 2018, and relate to provisional data as at 2 April 2018. 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. Universal Credit, 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 16,210 enquiries conducted in 2017-18. In the previous year (2016-17) there were 21,365 enquiries.

- c) Number of penalties imposed.

In 2017-18 there were 11,524 cases where a penalty was imposed for tax credit related offences. This compares with 13,135 cases in 2016-17. HMRC collects data on the number of individual penalties imposed: for 2017-18 there were 12,752 individual penalties, compared with 14,835 in 2016-17. 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 311 prosecutions and 303 convictions for tax credits in 2017-18 compared to 271 prosecutions and 264 convictions for tax credits in 2016-17.

REPORT REQUIRED UNDER SECTION 40 OF THE TAX CREDITS ACT 2002 FOR THE TAX YEAR 2017-2018

	Working Tax Credit (WTC)	Child Tax Credit (CTC)	Total
a) The number of awards of tax credits (thousands)	1,970	3,423	3,782 ¹
b) Number of enquiries conducted under section 19			16,210 ²
c) Number of penalties imposed (cases)			11,524 ³

	Prosecutions	Convictions
d) Number of prosecutions and convictions for offences connected with tax credits	311	303

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 2018.

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.