

HM TREASURY

HM REVENUE AND CUSTOMS

**2020-2021 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 2022

REPORT REQUIRED UNDER SECTION 40 OF THE TAX CREDITS ACT 2002

Section 40(1) of the Tax Credits Act 2002 (TCA) (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) of the TCA requires the Treasury to publish the annual Report and lay a copy before both Houses of Parliament.

The table overleaf shows the following figures:

- a) The number of awards of tax credits.

This is based on information processed by 2 April 2021. Not all information for 2020-21 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 July 2022. The figures quoted in this report were published in HMRC's Child and Working Tax Credits (WTC) statistics in June 2021 and relate to provisional awards as at 2 April 2021.

The figures include out of work families with children receiving Child Tax Credit (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) The 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. 3,982 enquiries were conducted in 2020-21. In the previous year (2019-20) there were 15,368 enquiries.

- c) The number of penalties imposed.

In 2020-21 there were 695 cases where a penalty was imposed for tax credit related offences. This compares with 3,314 cases in 2019-20. HMRC collects data on the number of individual penalties imposed: for 2020-21 there were 783 individual penalties, compared with 3,516 in 2019-20. In the event of a joint award, two penalty notices can be given, split equally between the couple (individual penalties).

- d) The 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 was 1 prosecution and 1 conviction for tax credits in 2020-21 compared to 94 prosecutions and 91 convictions for tax credits in 2019-20.

Additional note on above figures:

HMRC temporarily adjusted its tax credits compliance approach in response to COVID-19 in order to prioritise protecting individuals, business and the economy. This meant, in part, diverting resource that would otherwise have undertaken routine compliance work, and taking an empathetic stance with customers who have faced difficult personal circumstances and have not been in a position to answer queries. This, together with diminishing caseloads and improved customer compliance, means that all figures above are lower than in previous years.

In addition to this, it was appropriate during the pandemic to take a measured approach to charging penalties which, alongside work and resourcing pressures, led to a decision to reduce numbers deployed to penalties work. We have continued to charge penalties in the more serious instances of non-compliance and expect numbers to increase from the 2021-22 year.

REPORT REQUIRED UNDER SECTION 40 OF THE TAX CREDITS ACT 2002 FOR THE TAX YEAR 2020-2021

	Working Tax Credit	Child Tax Credit	Total
a) The number of awards of tax credits (thousands)	1,044	1,679	¹ 1,895
b) Number of enquiries conducted under section 19			² 3,982
c) Number of penalties imposed (cases)			³ 695

	Prosecutions	Convictions
d) Number of prosecutions and convictions for offences connected with tax credits	1	1

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 2021.

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.