

TAX CREDIT RENEWAL DEADLINE: Response from Dave Hartnett, Director General (Policy and Technical) of the Inland Revenue to a request from the Institute of Chartered Accountants in England and Wales (ICAEW) that the 30 September deadline be extended to 31 January.

Letter dated 1 OCTOBER 2004 from Dave Hartnett, Director General (Policy and Technical), Inland Revenue

Thank you for your letter dated 30 September suggesting a concessionary extension of the renewals deadline for tax credits for this year. I do not think it would be right to do as you suggest but I hope you will find this letter provides reassurance on the concerns you express.

The starting point is that we have tried to make the process of finalising the tax credit award for the previous year and renewing a claim for the current year as streamlined as possible. Claimants simply have to confirm or correct the information we hold about their circumstances and report their income for the year just finished. For those not in a position to provide actual income figures at the time they reply, an estimate will be accepted. The information necessary to renew can be accepted by telephone or through our e-portal or by filling in a short paper form.

To avoid a break in payments over the renewals period, we continue payments to people on a provisional basis. So it is important that we get renewals information as soon as we can to enable us to adjust payments if necessary and to make sure people are not being overpaid. You will be aware that the deadline for renewals has already moved from the planned date in early July to the end of September.

We have put a great deal of effort into encouraging people to provide their renewals information and helping them to do so. People have been sent two follow-up reminders to their renewal pack, we have had TV, radio and press advertising and the Revenue has also been calling people who have still to reply to remind them of the deadline. There does come a point, however, at which we cannot continue paying people who have not responded to any of our prompting.

We are, of course, aware that the end of year process is new to people. In practice, we will be allowing a few days grace around the deadline, as we did with initial claims to tax credits. You will also know that when the deadline for renewals was changed, we introduced provisions enabling claims to be renewed after the deadline and backdated to 6 April if claimants can show good cause for being late. For this year, we will apply those provisions with a light touch in the weeks immediately following the deadline. So I think we have struck the balance between actively urging people to get their information to us so that their tax credits can be kept on the right footing and helping those who have difficulties in this first year of the renewals process.

I should also make clear, in answer to a concern you raise, that renewals information is logged on receipt, even if it has not yet been processed, to make sure that payments continue. You also mention reports that the system was down. There is no question of the system having failed unexpectedly. The on-line service was unavailable for a short, planned period whilst software enhancements were made but is now fully available again and staff were still able to take renewals information from people during that period. Against the background of all that we have been doing and the way we intend to manage around the deadline, I do not think there is a case for extending the deadline in the way that you suggest. But, as I have explained, we will not, in the weeks immediately following the deadline, take a hard line with claimants who have missed it by a short margin, as long as they do provide the necessary information without delay.