

## Introduction

In light of recent and pending pay reviews this Frequently Asked Questions guide provides an update addressing some common questions relating to the **Backdated Pay Awards**. It should be noted that this document provides an overview, and each person should consider seeking independent advice to reflect their individual circumstances.

**For free, tailored advice on any of the issues discussed in this briefing or other aspects of social security law, please call (028) 9024 4401 and ask to speak to a member of the social security team.**

## What is the impact of the Pay Award or arrears payment?

A backdated pay award will result in changes to your annual income and may result in you receiving an arrears payment. If you claim **benefits or tax credits**, this may affect your claim.

## What if I am in receipt of Working Tax or Child Tax Credit?

A change in your annual income, as a result of the pay award, may affect the amount of **Working Tax Credit** or **Child Tax Credit** you receive.

## What do I do if I am in receipt of Tax Credits and my income changes?

You don't *have to* inform HMRC until the end of the tax year (5<sup>th</sup> April) when your claim is being renewed. Any changes in income will be taken into account at that stage.

However, it is important that you tell HMRC about any income changes as they happen, as it means any changes to your tax credits can be kept up to date, and you reduce the risk of being **overpaid** (or underpaid) during the tax year.

## As a recipient of Tax Credits, how do I report income changes to HMRC?

You can tell HMRC about a change in your income using these options:

- By **Telephone** - HMRC Tax Credit helpline on (0345 300 3900)

If you ring the helpline take a note of the date and time of your call and the name of the person who you spoke to.

- **Online** service or App
- In **writing** to the HMRC Tax Credit Office (HM Revenue and Customs Tax Credit Office, BX9 1ER, United Kingdom).

It is a good idea to confirm the change in writing, keeping a copy of the letter as proof that you have advised HMRC of the change in your income. You should clearly mark your letter '**change of income**'. Letters can be sent by recorded delivery or you should at least get proof of posting.

### As a recipient of Tax Credits, what happens if I am overpaid?

If you are **overpaid** you will be liable to pay back any overpayments. A rise in income above £2,500 from one year to the next will likely lead to an overpayment if you wait until the end of the tax year to tell HMRC.

### What happens if the change in income affects my Tax Credit award?

HMRC's Tax Credit Office should send you a new decision letter (called an **award notice**). It will provide details for any changes to your payments and how these have been worked out. This normally takes up to **30 days**, but if you haven't received a letter, you can contact the helpline to chase it up.

You should check the award notice carefully to make sure that the change has been recorded correctly. If it is not, you must contact the HMRC Tax Credit office within **30 days** if their award notice is wrong. If you do not, you may become responsible for any overpayments that may result from the mistake.

### What should I do if I have received a Managed Migration Notice advising that my Tax Credits Award is ending and inviting me to claim Universal Credit?

Tax Credit is coming to an end, and for most claimants is being replaced by Universal Credit. Tax Credits recipients will receive a Migration Notice inviting them to make a claim for Universal Credit by a certain date. If you claim by this notified date, you may be entitled to Transitional Protection with the aim of ensuring no one is worse off at the point of transfer when moving to Universal Credit. However, the timing of your claim can be important to take into account the impact of your pay award and any annual increase in benefit amounts.

You should certainly seek bespoke independent advice before claiming Universal Credit.

### What should I do if I have not received a Managed Migration Notice?

If you claim Universal Credit in advance of receiving a Migration Notice you cannot benefit from Transitional Protection. You may therefore be worse off because you claimed Universal Credit. You should seek independent advice before claiming Universal Credit.

### Can I make a new claim for Tax Credit following my pay award?

No, it is no longer possible to make a new claim for Tax Credits as it has been replaced for new claimants by Universal Credit.

### What if I claim Universal Credit for the first time after the pay award?

Assessment of your income for **Universal Credit (UC)** is different than for Tax Credits.

Your income for Universal Credit is assessed on a monthly basis and Universal Credit is then paid in arrears. Entitlement is worked out on the basis of your income/earnings in each monthly assessment period after the date of claim.

When you first claim Universal Credit, the Department for Communities can make a decision on whether you qualify for Universal Credit based on an estimate of your earnings. This assessment will not include your pay award arrears received in advance of claim as it does not reflect your normal monthly income.

### What if I choose to save my arrears payment?

Savings or capital from £6,000-£16,000 will reduce your Universal Credit entitlement. If you have savings above £16,000, you will not normally be entitled to Universal Credit. If you have claimed Universal credit via the managed migration process then Transitional Protection should ensure that savings above £16,000 at the point of transfer can be ignored for a year.

### What if I already have a Universal Credit Claim when my pay changes?

Your employer is required to report your earnings to HMRC every time you are paid. This is referred to as '**real-time information**'. Your pay change (and arrears) is likely to impact your entitlement in the month following its receipt, and in later months. Your increased pay plus the arrears will be treated as income in the period it is received.

This additional payment may be considered as '**surplus earnings**'. This occurs when you earn more than £2,500 over the maximum amount you can earn before your Universal Credit claim is stopped. If this happens your claim will be closed.

Your work coach at your local Jobs and Benefits Office can assist you in dealing with this change in your income by helping you to reclaim or by making a new claim through your existing Universal Credit account.

It is very important that you continue to make a Universal Credit claim even if you think you won't be entitled to a payment of Universal Credit due to surplus earnings from a previous month. Making a claim will reduce the amount of surplus earnings that is taken into account for later months and will mean that you will be entitled to a Universal Credits payment more quickly again.

If you don't reclaim Universal Credit, the surplus earnings will not reduce and will remain unchanged for 6 months. Your online journal will show your allowance and indicate when the surplus decreases.

If you are part of a couple that has surplus earnings and you separate, the surplus earnings will be divided equally between the two of you. Your half will usually be taken into account if you make an individual Universal Credit claim.

**Please contact the Law Centre Social Security Hub if you are affected by this (028 9024 4401 – Monday to Friday 9am – 1pm).**

### What if I am in receipt of Housing Benefit?

Your backdated pay change will be treated as earned income for the purposes of calculating your **Housing Benefit** entitlement.

Housing Benefit Decision Makers will confirm the period which the pay change covers, and the amount of Housing Benefit you receive will be changed to reflect the receipt of additional earnings. The more earnings you receive the less support you will receive for your housing costs.

You must inform your local Housing Benefit Office as soon as you receive the pay change to ensure your Housing Benefit is calculated correctly and to ensure that you are not overpaid. If you have evidence of the period the award covers, this should also be provided.

You can inform your local Housing Benefit Office in writing or by telephone. You can find information on how to report a change of circumstances [here](#)

### What if I am claiming other Benefits which are impacted by income?

If you are in receipt of any other benefits which are impacted by your income (for example **Carers Allowance**) the pay change may impact your entitlement and you should seek bespoke independent advice.

**Please contact the Law Centre Social Security Hub (028 9024 4401 – Monday to Friday 9am – 1pm)**

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