

**EXPLANATORY MEMORANDUM TO  
THE TAX CREDITS (CLAIMS AND NOTIFICATIONS) (AMENDMENT)  
REGULATIONS 2006**

**2006 No. 2689**

**1.** This explanatory memorandum has been prepared by H.M. Revenue & Customs (HMRC) and is laid before Parliament by Command of Her Majesty.

**2. Description**

2.1 This statutory instrument amends the Tax Credit (Claims and Notifications) Regulations 2002 (SI2002/2014) to:

- impose a requirement on claimants to notify additional changes of circumstances from 1 November 2006 and
- reduce the time claimants are given to notify required changes of circumstances from 3 months to 1 month from 6 April 2007

**3. Matters of special interest to the Joint Committee on Statutory Instruments**

None

**4. Legislative Background**

4.1 Section 6(3) of the Tax Credits Act 2002 contains a regulation-making power to allow the Commissioners for H.M. Revenue & Customs to require tax credit claimants to give notification if there is a change of circumstances of a prescribed description which may decrease the rate at which they are entitled to tax credits or mean that they cease to be entitled to tax credits. These regulations are contained in the Tax Credits (Claims and Notifications) Regulations 2002.

4.2 Currently under Regulation 21 claimants are required to give notification where

- they become, or cease to be, a member of a couple. Someone is in a couple for tax credits purposes if:
  - they are married or civil partners and not separated under a court order or permanently separated
  - living together as husband and wife or as civil partners.
- they leave the UK permanently or they are no longer treated as being in the UK
- their award of Working Tax Credit contains the childcare element and their average weekly childcare charges are reduced by £10 or more for more than 4 weeks, or are reduced to zero.

4.3 Currently claimants have three months beginning on the date on which the change of circumstances occur to give notification.

4.4 Regulation 27 lists the circumstances where it is permitted to give advance notification.

## **5. Extent**

This instrument applies to all of the United Kingdom

## **6. European Convention on Human Rights**

As the instrument is subject to negative resolution procedure and does not amend primary legislation, no statement is required.

## **7. Policy background**

7.1 The Pre-Budget Report of 5 December 2005 announced a package of measures to ensure the tax credits system strikes the right balance between providing a stable award and maintaining the ability to respond to changes. The package included widening the set of changes of circumstances that it is mandatory to report and shortening the deadline for doing this to encourage claimants to report changes in their circumstances more frequently and earlier.

7.2 Claimants will now be required to give notification where:

- there are changes in the number of hours they usually work and this takes them below the 16 hours a week or 30 hours a week thresholds,
- they cease to be responsible for a child or young person, for example where a child or young person is taken into care or fostered with another family
- a child or young person ceases to qualify for support, for example a young person leaves non-advanced full time education or approved training before they reach 20, except where this change is automatically applied. A child or young person is automatically removed from the Child Tax Credit award on the 1 September following their 16th birthday if they do not stay on in full-time education or approved training, or on their 20th birthday.

7.3 From April 2007 claimants will have 1 month from the date the change occurs or from the date they first become aware of the change.

7.4 Regulation 4 creates a new Regulation 21(2) setting out all the changes of circumstances it is mandatory to report:

- (a) Where entitlement ceases because they become, or cease to be, a member of a couple, or where they leave the UK permanently or they are no longer treated as being in the UK
- (b) their award of Working Tax Credit contains the childcare element and their average weekly childcare charges are reduced by £10 or more for more than 4 weeks, or are reduced to zero
- (c) there are changes in the number of hours they usually work and this takes them below the 16 hours a week or 30 hours a week thresholds for the purpose of entitlement to Working Tax Credit
- (d) there are changes in the number of hours they usually work and this takes them below 16 hours a week for the purpose of entitlement to the disability element or the 30 hour element or the 50 plus element of Working Tax Credit

- (e) there are changes in the number of hours they usually work and this takes them below 30 hours a week for the purpose of entitlement to the 30 hour element or the second adult element of Working Tax Credit
- (f) there are changes in the number of hours a couple usually work and this takes their combined hours below 30 hours a week for the purpose of entitlement to the 30 hour element of Working Tax Credit
- (g) they cease to be responsible for a child or young person for the purposes of Working or Child Tax Credit
- (h) where a child intended to become a qualifying young person and advance notification of this intention has been given but the child does not become a qualifying young person. For example the child intended to stay on in full-time education or training after the age of 16 but subsequently changed their mind (unless notification of intention is given, HMRC's computer systems assume that a child over 16 will not become a qualifying young person)
- (i) a young person ceases to qualify for support other than by becoming 20 (where HMRC's computer systems will automatically assume that the young person no longer qualifies)
- (j) The child or young person dies.

7.5 Regulation 5 amends Regulation 21(3) so that the date on which the period for giving notice begins starts when the claimant first becomes aware of the change in circumstances. This is because in some situations it may not be obvious at the time that a change has occurred, for example, someone with variable hours may not know immediately that their usual working hours have changed.

7.6 Regulation 6 amends Regulation 21(3) so that the period for giving notice is reduced from 3 months to 1 month.

7.7 Regulation 7 amends Regulation 27 to allow advance notification to be given where a child is expected to become a qualifying young person, for example they intend to stay on in non-advanced full-time education or training.

## **8. Impact**

8.1 A Regulatory Impact Assessment has not been prepared for this instrument as it has no impact on business, charities or voluntary bodies.

8.2 The impact on the public sector is included in the estimate of the yield of the tax credits package, published in Table 1.2 of the Pre Budget Report 2005, Cm 6701.

## **9. Contact**

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