

**EXPLANATORY MEMORANDUM TO  
THE WORKING TAX CREDIT (ENTITLEMENT AND MAXIMUM RATE)  
(AMENDMENT) REGULATIONS 2007**

**2007 No. 968**

1. This explanatory memorandum has been prepared by HM Revenue and Customs (HMRC) and is laid before Parliament by Command of Her Majesty. This memorandum contains information for the Joint Committee on Statutory Instruments.

## **2 Description**

This statutory instrument amends the Working Tax Credit (Entitlement and Maximum Rate) Regulations 2002 (S.I. 2002 No. 2005).

The Regulations amend the Working Tax Credit (Entitlement and Maximum Rate) Regulations to introduce a four week run-on of Working Tax Credit to those claimants whose hours fall below 16 hours per week. These Regulations apply to the four week period immediately after a person, who has been undertaking qualifying remunerative work for not less than 16 hours or 30 hours per week, ceases to work or starts working less than 16 hours per week. Claimants, where entitled, will be eligible to claim Income Support or Job Seekers Allowance and other income related benefits whilst in receipt of the Working Tax Credit four week run-on. Under Social Security legislation Working Tax Credit will be treated as income for benefit purposes.

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

It has been necessary to breach the “21 day rule”. This is because the amendment made by these Regulations was a Budget measure and it was not possible to lay the instrument until the change was announced by the Chancellor on 21 March in his 2007 Budget. Also, it is necessary for the amendment to come into force on 6 April in order for it to coincide with the start of the tax credits annual award period 2007-08.

## **4. Legislative background**

The amendment to regulation 7 of the Working Tax Credit (Entitlement and Maximum Rate) Regulations extend the definition of qualifying remunerative work to include the 4 week period immediately after a person or persons hours drop below 16 hours per week.

## **5. Territorial Extent and Application**

This instrument applies to all of the United Kingdom

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

These Regulations are subject to annulment and do not amend primary legislation. Accordingly, a certificate that the instrument is compatible with the Convention rights is not required.

## **7. Policy background**

The Regulations will, from 6 April 2007, ensure that any award of Working Tax Credit would run on for 4 weeks following the claimant's hours dropping below 16 hours per week. The measure is to reduce overpayments and to ease the transition from tax credits to benefits. It reflects the mandatory reporting requirement on claimants to inform HMRC within a month when they cease work. The latter also comes in from 6 April 2007.

Claimants would continue to qualify for Working Tax Credit for 4 weeks from the date the change in their circumstances took place and be considered as being in qualifying remunerative work. The Regulations allow for this payment to be made as part of the award.

Regulation 1 provides that these Regulations shall come into force on 6 April 2007.

Regulation 2 inserts the new regulation 7D to deal with the four-week period immediately after a person who has been working for not less than 16 or 30 hours per week either ceases work or starts to work less than 16 hours per week. It allows for such a person to be treated as being in qualifying remunerative work during that period provided he was engaged in such qualifying remunerative work immediately before the beginning of the four-week period. It makes clear that regulation 7C (pay in lieu of notice) is subject to the new regulation.

## **8. Impact**

A Regulatory Impact Assessment has not been prepared for this instrument because it has no impact on business, charities or the voluntary sector. The exchequer impact of these changes is set out in Table A1: Budget 2007 decisions on page 208. The cost is £10 million in 2007-08 against an indexed base.

## **9. Contact**

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