
EXPLANATORY NOTE

(This note is not part of the Regulations)

Section 41 of the Tax Credits Act 2002 (c. 21) requires the Treasury, in each tax year, to—

- (d) review the amounts referred to in subsection (2) of that section;
- (e) prepare a report of each review, including a statement of what each amount would be if it had fully retained its value; and
- (f) publish the report and lay a copy of it before each House of Parliament.

The Treasury's report of the review in respect of the tax year 2011-12 was laid before Parliament on 1st February 2012 and published.

In consequence of the review the Treasury has made these Regulations, which come into force on 6th April 2012 and have effect in relation to awards of tax credits for the year beginning on 6th April 2012 and subsequent tax years, prescribing increases in certain of the sums required to be reviewed under section 41. These amounts were last amended by the Tax Credits Up-rating Regulations 2011 (S.I. 2011/1035) ("the 2011 Regulations"). In addition to increasing certain amounts, these Regulations confirm other amounts which were amended by the 2011 Regulations (and remain unchanged), to ensure that they continue to have effect in respect of the tax year beginning on 6th April 2012 and subsequent tax years.

Regulation 2 amends regulation 7(4) of the Child Tax Credit Regulations 2002 (S.I. 2002/2007) so as to increase the maximum rates of the individual elements of child tax credit.

Regulation 3 substitutes a new table for the table in Schedule 2 (prescribing the maximum rates for the elements of working tax credit other than the child care element) of the Working Tax Credit (Entitlement and Maximum Rate) Regulations 2002 (S.I. 2002/2005).

Regulation 4 amends the Tax Credits (Income Thresholds and Determination of Rates) Regulations 2002 (S.I. 2002/2008). Paragraphs (2) and (3) amend regulation 5 of S.I. 2002/2008 (amounts prescribed for sections 7(3)(a) and (b) of the Tax Credits Act 2002) to introduce a new income disregard of £2,500 for falls in income. Paragraph (4) amends the percentage to be applied under step 5 of regulation 7(3) of S.I. 2002/2008 (determination of rate of working tax credit) in finding the amount of the reduction. Paragraph (5) amends regulation 8(3) (determination of rate of child tax credit) to remove steps 8, 9 and 10 so to taper the family element immediately after the child element.

Regulation 5 provides for certain amendments made by the Tax Credits Up-rating Regulations 2011 (whose effect was limited to the tax year beginning 6th April 2011) to have effect in relation to awards of tax credits for the tax year beginning on 6th April 2012 and subsequent tax years.

A full Impact Assessment has not been produced for this instrument as no impact on the private or voluntary sector is foreseen.