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STATUTORY INSTRUMENTS

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**2014 No. 1626**

**The Universal Credit (Transitional Provisions) (Amendment) Regulations 2014**

**Amendments relating to finalisation of tax credits**

**4.—(1)** After regulation 12 (modification of tax credits legislation: overpayments and penalties) insert—

**“Modification of tax credits legislation: finalisation of tax credits**

**12A.—(1)** This regulation applies where—

- (a) a claim for universal credit is made, or is treated as having been made;
- (b) the claimant is, or was at any time during the tax year in which the claim is made or treated as made, entitled to a tax credit; and
- (c) the Secretary of State is satisfied that the claimant meets the basic conditions specified in section 4(1)(a) to (d) of the Act (other than any of those conditions which the claimant is not required to meet by virtue of regulations under section 4(2) of the Act).

(2) Subject to paragraph (3), where this regulation applies, the amount of the tax credit to which the person is entitled is to be calculated in accordance with the 2002 Act and regulations made under that Act, as modified by the Schedule to these Regulations (“the modified legislation”).

(3) Where, in the opinion of the Commissioners for Her Majesty’s Revenue and Customs, it is not reasonably practicable to apply the modified legislation in relation to any case or category of cases, the 2002 Act and regulations made under that Act are to apply without modification in that case or category of cases.”

(2) At the end of the Regulations insert—

“SCHEDULE

Regulation 12A

**MODIFICATION OF TAX CREDITS LEGISLATION (FINALISATION OF TAX CREDITS)**

**Modifications to the Tax Credits Act 2002**

**1.** Paragraphs 2 to 10 prescribe modifications to the application of the 2002 Act where regulation 12A of these Regulations applies.

**2.** In section 7 (income test)—

- (a) in subsection (3), before “current year income” in each place where it occurs, insert “notional”;
- (b) in subsection (4)—
  - (i) for “current year” substitute “current part year”;
  - (ii) in paragraphs (a) and (b), before “tax year” insert “part”;

- (c) after subsection (4), insert—
- “(4A) In this section “the notional current year income” means—
- (a) in relation to persons by whom a joint claim for a tax credit is made, the aggregate income of the persons for the part tax year to which the claim relates, divided by the number of days in that part tax year, multiplied by the number of days in the tax year in which the part tax year is included and rounded down to the next whole number of pence; and
  - (b) in relation to a person by whom a single claim for a tax credit is made, the income of the person for that part tax year, divided by the number of days in that part tax year, multiplied by the number of days in the tax year in which the part tax year is included and rounded down to the next whole number of pence.”.
3. In section 17 (final notice)—
- (a) in subsection (1)—
    - (i) omit “the whole or”; and
    - (ii) in sub-paragraph (a), before “tax year” insert “part”;
  - (b) in subsection (3), before “tax year” insert “part”;
  - (c) in subsections (4)(a) and (4)(b), for “current year” in both places where it occurs, substitute “current part year”;
  - (d) in subsection (5)(a) for “current year” in both places where it occurs, substitute “current part year”;
  - (e) omit subsection (8).
4. In section 18 (decisions after final notice)—
- (a) in subsection (1), before “tax year” insert “part”;
  - (b) omit subsections (6) to (9);
  - (c) in subsection (10), for “subsection (1), (5), (6) or (9)” substitute “subsection (1) or (5)”;
  - (d) in subsection (11)—
    - (i) after “subsection (5)” omit “or (9)”;
    - (ii) omit paragraph (a);
    - (iii) in paragraph (b) omit “in any other case,”;
    - (iv) before “tax year” in each place where it occurs, insert “part”.
5. In section 19 (power to enquire)—
- (a) in subsection (1)(a) and (b), before “tax year” insert “part”;
  - (b) in subsection (3), before “tax year” insert “part”;
  - (c) for subsection (5) substitute—

“(5) “The relevant section 18 decision” means the decision under subsection (1) of section 18 in relation to the person or persons and the part tax year.”;
  - (d) for subsection (6) substitute—

“(6) “The relevant section 17 date” means the date specified for the purposes of subsection (4) of section 17 in the notice given to a person or persons under that section in relation to the part tax year.”;
  - (e) in subsection (11), before “tax year” insert “part”;
  - (f) in subsection (12), before “tax year” in each place where it occurs, insert “part”.

6. In section 20 (decisions on discovery)—
  - (a) in subsection (1), before “tax year” insert “part”;
  - (b) in subsection (4)(a), before “tax year” insert “part”;
  - (c) in subsection (5)(b), before “tax year” insert “part”;
  - (d) in subsection (6)—
    - (i) before “tax year” insert “part”;
    - (ii) in paragraph (a), for “section 18(1), (5), (6) or (9)” substitute “section 18(1) or (5)”;
  - (e) in subsection (7), before “tax year” in each place where it occurs, insert “part”.
7. In section 21 (decisions subject to official error), for “18(1), (5), (6) or (9)” substitute “18(1) or (5)”.
8. In section 23 (notice of decisions)—
  - (a) in subsection (1), for “18(1), (5), (6) or (9)” substitute “18(1) or (5)”;
  - (b) in subsection (3)—
    - (i) after “18(1)” omit “or (6)”;
    - (ii) for paragraph (b) substitute—

“(b) the notice of the decision under subsection (1) of section 18,”.
9. In section 30(1) (underpayments), before “tax year” in each place where it occurs, insert “part”.
10. In section 38 (appeals)—
  - (a) in subsection (1)(b), before “tax year” insert “part”;
  - (b) for subsection (2), substitute—

“(2) “The relevant section 18 decision” means the decision under subsection (1) of section 18 in relation to the person or persons and the tax credit for the part tax year.”.

### **Modifications to the Tax Credits (Definition and Calculation of Income) Regulations 2002**

11. Paragraphs 12 to 23 prescribe modifications to the application of the Tax Credits (Definition and Calculation of Income) Regulations 2002<sup>(1)</sup> where regulation 12A of these Regulations applies.
12. In regulation 2(2) (interpretation), after the definition of “the Macfarlane Trusts” insert—

““part tax year” means a period of less than a year beginning with 6th April and ending with the date on which the award of a tax credit terminated;”.
13. In regulation 3 (calculation of income of claimant)<sup>(2)</sup>—
  - (a) in paragraph (1)—
    - (i) before “tax year” insert “part”;
    - (ii) in Steps 1 and 2, after “of the claimant, or, in the case of a joint claim, of the claimants” insert “received in or relating to the part tax year”;
    - (iii) in the second and third sentences of Step 4, before “year” insert “part”;
  - (b) in paragraph (6A)<sup>(3)</sup>, for the words from “ending on 31st March” to the end, substitute “ending on the last day of the month in which the claimant’s award of a tax credit terminated”;

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(1) [S.I. 2002/2006](#).

(2) Regulation 3 was amended by [S.I. 2003/732](#) and [2815, 2006/745](#) and [766, 2007/824](#) and [1305](#) and [2014/658](#).

(3) Paragraph (6A) was inserted by [S.I. 2003/732](#) and amended by [S.I. 2007/824](#).

- (c) in paragraph (8)(b), before “year” insert “part”.
- 14. In regulation 4 (employment income)(4)—**
- (a) in paragraph (1)(a), before “tax year” insert “part”;
  - (b) in paragraph (1)(b), (c), (d), (e), (g) and (k), before “year” insert “part”;
  - (c) in paragraph (1)(f), after “ITEPA” insert “which is treated as received in the part tax year and in respect of which the charge arises in the part tax year”;
  - (d) in paragraph (1)(h), after “week” insert “in the part tax year”;
  - (e) in paragraph (1)(i), for “that year” substitute “the tax year” and after “ITEPA” insert “which is treated as received in the part tax year”;
  - (f) in paragraph (1)(j), after “applies” insert “which is received in the part tax year”;
  - (g) in paragraph (1)(l), for “that year” substitute “the tax year” and after “ITEPA” insert “in respect of which the charge arises in the part tax year”;
  - (h) in paragraph (1)(m), after “paid” insert “in the part tax year”;
  - (i) in paragraph (4), in the first sentence and in the title of Table 1, after “employment income” insert “received in the part tax year”;
  - (j) in paragraph (5), after “calculating earnings” insert “received in the part tax year”.
- 15. In regulation 5 (pension income)(5)—**
- (a) in paragraph (1), after ““pension income” means” insert “any of the following received in or relating to the part tax year”;
  - (b) in paragraph (2), in the first sentence and in the title of Table 2, after “pension income” insert “received in or relating to the part tax year”;
  - (c) in paragraph (3), after “income tax purposes”, insert “in relation to the part tax year”.
- 16. In regulation 6 (trading income)(6)—**
- (a) re-number the existing regulation as paragraph (1);
  - (b) in paragraph (1) (as so re-numbered)—
    - (i) in sub-paragraph (a), for “taxable profits for the tax year” substitute “actual or estimated taxable profits attributable to the part tax year”;
    - (ii) in sub-paragraph (b), for “taxable profit for the” substitute “actual or estimated taxable profit attributable to the part tax”;
  - (c) after paragraph (1) insert—
    - “(2) Actual or estimated taxable profits attributable to the part tax year (“the relevant trading income”) is to be calculated by reference to the basis period (determined by reference to the rules in Chapter 15 of Part 2 of ITTOIA) ending during the tax year in which the claimant made, or was treated as making, a claim for universal credit.
    - (3) The relevant trading income is to be calculated by—
      - (a) taking the figure for the actual or estimated taxable income earned in the basis period;
      - (b) dividing that figure by the number of days in the basis period to give the daily figure; and

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(4) Regulation 4 was amended by S.I. 2003/732 and 2815, 2004/762 and 2663, 2006/766, 2007/824, 2008/604 and 2169, 2009/2887, 2010/2494, 2012/848 and 2014/658.

(5) Regulation 5 was amended by S.I. 2003/732, 2006/745 and 766, 2008/604 and 2010/2914.

(6) Regulation 6 was amended by S.I. 2006/766.

(c) multiplying the daily figure by the number of days in the part tax year on which the trade, profession or vocation was carried on.”.

17. In regulation 7 (social security income)(7)—

- (a) in paragraph (1), after “social security income” insert “received in the part tax year”;
- (b) in paragraph (3), in the opening words and in the title of Table 3, after “social security income” insert “received in the part tax year”.

18. In regulation 8 (student income)(8), after “in relation to a student” insert “, any of the following which is received in the part tax year”.

19. In regulation 10 (investment income)(9)—

- (a) in paragraph (1), after “gross amount” insert “received in the part tax year”;
- (b) in paragraph (1)(e), before “year” insert “part tax”;
- (c) in paragraph (2), in the opening words and in the title of Table 4, after “investment income” insert “received in the part tax year”.

20. In regulation 11(1) (property income)(10)—

- (a) omit “annual”;
- (b) after “taxable profits” insert “for the part tax year”.

21. In regulation 12(1) (foreign income)(11), before “year” insert “part tax”.

22. In regulation 13 (notional income), after “means income” insert “received in the part tax year”.

23. In regulation 18 (miscellaneous income)(12), after “means income” insert “received in the part tax year”.

### **Modifications to the Tax Credits (Income Thresholds and Determination of Rates) Regulations 2002**

24. Paragraphs 25 to 27 prescribe modifications to the application of the Tax Credits (Income Thresholds and Determination of Rates) Regulations 2002(13) where regulation 12A of these Regulations applies.

25. In regulation 2 (interpretation)—

- (a) after the definition of “the income threshold” insert—

““part tax year” means a period of less than a year beginning with 6th April and ending with the date on which the award of a tax credit terminated;”;
- (b) in the definition of “the relevant income” insert “as modified by the Universal Credit (Transitional Provisions) Regulations 2014” at the end.

26. In regulation 7(3) (determination of rate of working tax credit)(14)—

- (a) in Step 1, in the definition of “MR”, after “maximum rate” insert “(determined in the manner prescribed at the date on which the award of the tax credit terminated)”;

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(7) Regulation 7 was amended by S.I. 2003/732 and 2815, 2008/1879, 2009/697, 2010/2494 and 2014/658.

(8) Regulation 8 was amended by S.I. 2003/2815, 2006/766, 2008/2169 and 2012/848.

(9) Regulation 10 was amended by S.I. 2003/732 and 2815, 2006/766, 2007/824 and 2010/751.

(10) Regulation 11(1) was amended by S.I. 2003/2815 and 2006/766.

(11) Regulation 12(1) was amended by S.I. 2006/766.

(12) Regulation 18 was amended by S.I. 2006/766.

(13) S.I. 2002/2008.

(14) Regulation 7(3) was amended by S.I. 2008/796, 2011/1035 and 2012/849.

- (b) in Step 3—
  - (i) in the definition of “I”, before “tax year” insert “part”;
  - (ii) in the definition of “N1”, before “tax year” insert “part”.

**27. In regulation 8(3) (determination of rate of child tax credit)(15)—**

- (a) in Step 1, in the definition of “MR”, after “maximum rate” insert “(determined in the manner prescribed at the date on which the award of the tax credit terminated)”;
- (b) in Step 3—
  - (i) in the definition of “I”, before “tax year” insert “part”;
  - (ii) in the definition of “N1”, before “tax year” insert “part”.

**Modifications to the Tax Credits (Claims and Notifications) Regulations 2002**

**28.** Paragraphs 29 to 34 prescribe modifications to the application of the Tax Credits (Claims and Notifications) Regulations 2002(16) where regulation 12A of these Regulations applies.

**29.** In regulation 4 (interpretation), omit paragraph (b)(17).

**30.** Omit regulation 11 (circumstances in which claims to be treated as made)(18).

**31.** Omit regulation 12 (further circumstances in which claims to be treated as made)(19).

**32.** In regulation 13 (circumstances in which claims made by one member of a couple to be treated as also made by the other)—

- (a) in paragraph (1)(20), after “prescribed by paragraph” omit “(2) or”;
- (b) omit paragraph (2)(21).

**33.** In regulation 15(1)(c) (persons who die after making a claim)—

- (a) omit “the whole or” and “after the end of that tax year but”; and
- (b) for “section 18(1), (5), (6) or (9)” substitute “section 18(1) or (5)”.

**34.** In regulation 33 (dates to be specified in notices)(22)—

- (a) in paragraph (a), for the words from “not later than 31st July” to “if later”, substitute “not less than 30 days after the date on which the notice is given”;
- (b) omit paragraph (b) and the “and” which precedes it.

**Modification to the Tax Credits (Payment by the Commissioners) Regulations 2002**

**35.** Paragraph 36 prescribes a modification to the application of the Tax Credits (Payment by the Commissioners) Regulations 2002(23) where regulation 12A of these Regulations applies.

**36.** Omit regulation 7 (prescribed circumstances for certain purposes)(24).

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(15) Regulation 8(3) was amended by S.I. 2011/1035 and 2012/849.

(16) S.I. 2002/2014

(17) Regulation 4(b) was amended by S.I. 2009/697.

(18) Regulation 11 was amended by S.I. 2004/762, 2008/604, 2009/697 and 2010/751.

(19) Regulation 12 was amended by S.I. 2010/751 and 2914.

(20) Regulation 13(1) was amended by S.I. 2005/2919 and 2008/2169.

(21) Regulation 13(2) was amended by S.I. 2005/2919 and 2010/751.

(22) Regulation 33 was substituted by S.I. 2004/762 and amended by S.I. 2007/824.

(23) S.I. 2002/2173.

(24) Regulation 7 was amended by S.I. 2005/2200.

### **Modification to the Tax Credits (Residence) Regulations 2003**

**37.** Paragraph 38 prescribes a modification to the application of the Tax Credits (Residence) Regulations 2003<sup>(25)</sup> where regulation 12A of these Regulations applies.

**38.** In regulation 3(5)(a) (circumstances in which a person is treated as not being in the United Kingdom)<sup>(26)</sup>, omit “under regulation 11 or 12 of the Tax Credits (Claims and Notifications) Regulations 2002 or otherwise”.

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<sup>(25)</sup> S.I. 2003/654.

<sup>(26)</sup> Regulation 3(5) was substituted by S.I. 2004/1243.